MONTGOMERY COLLEGE
ROCKVILLE, MARYLAND

FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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MONTGOMERY COLLEGE
LISTING OF BOARD OF TRUSTEES
AND SECRETARY-TREASURER TO THE BOARD OF TRUSTEES
JUNE 30, 2015

Montgomery College

Office of Business Services
240-567-5411

MONTGOMERY COLLEGE

CERTIFICATION OF
ANNUAL FINANCIAL STATEMENTS

In connection with the attached Annual Financial Statements of Montgomery College, we hereby certify that:

1. The attached Annual Report is true, complete and correct in all material respects, and the financial statements therein have been prepared in accordance with accounting principles generally accepted in the United States of America.

2. The information set forth herein, and on each of the schedules hereto, is complete and accurate in all material respects and contains full and complete disclosure of all pertinent information in connection with the operations of the College. Based on our knowledge, the Report does not contain any untrue statement of a material fact or omit a material fact.

3. We have designed such internal controls and procedures to ensure that material information relating to the College, including component units is made known to us and have established an effective system of internal control.

4. Based upon the above, we certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the College.

5. There have been no material adverse changes in operations since the date these statements were prepared to the date of the Certification.

DeRionne P. Pollard
DeRionne Pollard
President

10/7/15
Date

for Ruby Sherman
Ruby Sherman
Vice President of Finance
and Chief Financial Officer

10/7/15
Date

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Germantown Campus, 20200 Observation Drive, Germantown, MD 20876
Rockville Campus, 51 Mannakee Street, Rockville, MD 20850
Takoma Park/Silver Spring Campus, 7600 Takoma Avenue, Takoma Park, MD 20912
Workforce Development & Continuing Education, 51 Mannakee Street, Rockville, MD 20850

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Montgomery College
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the remaining fund information of Montgomery College (the College), a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Montgomery College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significanat accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and the remaining fund information of the College as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, the College reported a restatement for the change in accounting principle (see Note 23). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and employer contributions for the defined benefit retirement plan, the schedules of funding progress and employe contributions for other post-employement benefit plan, the schedule of College's proportionate share of the net pension liability and the schedule of College contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Listing of Board of Trustees and Secretary-Treasurer to the Board of Trustees as listed in the table of contents has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Board of Trustees
Montgomery College

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 7, 2015

The objective of Management's Discussion and Analysis is to help readers of Montgomery College's (the College) financial statements better understand the financial position and operating activities as of and for the fiscal years ended June 30, 2015 and 2014, with comparative information as of and for the year ended June 30, 2013. The following discussion and analysis provides an overview of the College's financial activities. This discussion and analysis should be read in conjunction with the financial statements and notes to the financial statements.

In 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* which established a new reporting model for public institutions. The College has presented the statements in compliance with this reporting model.

In addition, the College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement addresses the conditions under which institutions should include associated fund-raising or research foundations as component units in their financial statements. Under the new standards, the Montgomery College Foundation, Inc. (the Foundation) and the Montgomery College Life Sciences Park Foundation, Inc. (the LSF) meet criteria for qualifying as component units. The Foundation is discretely presented in the accompanying financial statements on separate pages and the LSF is blended with the College's reporting. However, the following discussion and analysis does not include the Foundation's and the LSF's financial condition and activities.

<u>Overview of the Financial Statements</u>

The College's financial statements consist of three basic financial statements and the notes that provide information on the accounting alternatives used, and explanatory information and detail on certain financial statement elements. The three basic financial statements are the *Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*.

The *Statement of Net Position* presents information on the College's assets, liabilities with the difference between the two reported as "net position". Net position represents the difference between assets and liabilities, and is detailed into classifications that help readers understand the constraints that the College must consider in making decisions on expending assets. Over time, changes in net position can help in understanding whether the financial condition of the College is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information on the changes in net position during the year. All changes in net position are reported as soon as the underlying event takes place, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded for some items that will result in cash flows in future fiscal years (for example tuition and fees owed by students, or vacation earned by employees but not used at year-end).

The *Statement of Cash Flows* presents information on sources and uses of cash during the year. This statement details the changes in cash and cash equivalents from the amounts reported at the end of the preceding year, to the amounts reported in the *Statement of Net Position* as of the end of the current year. Sources and uses are organized into operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The emphasis of this Management's Discussion and Analysis is on the College itself. Reference should be made to the separately audited financial statements of the component unit for additional information.

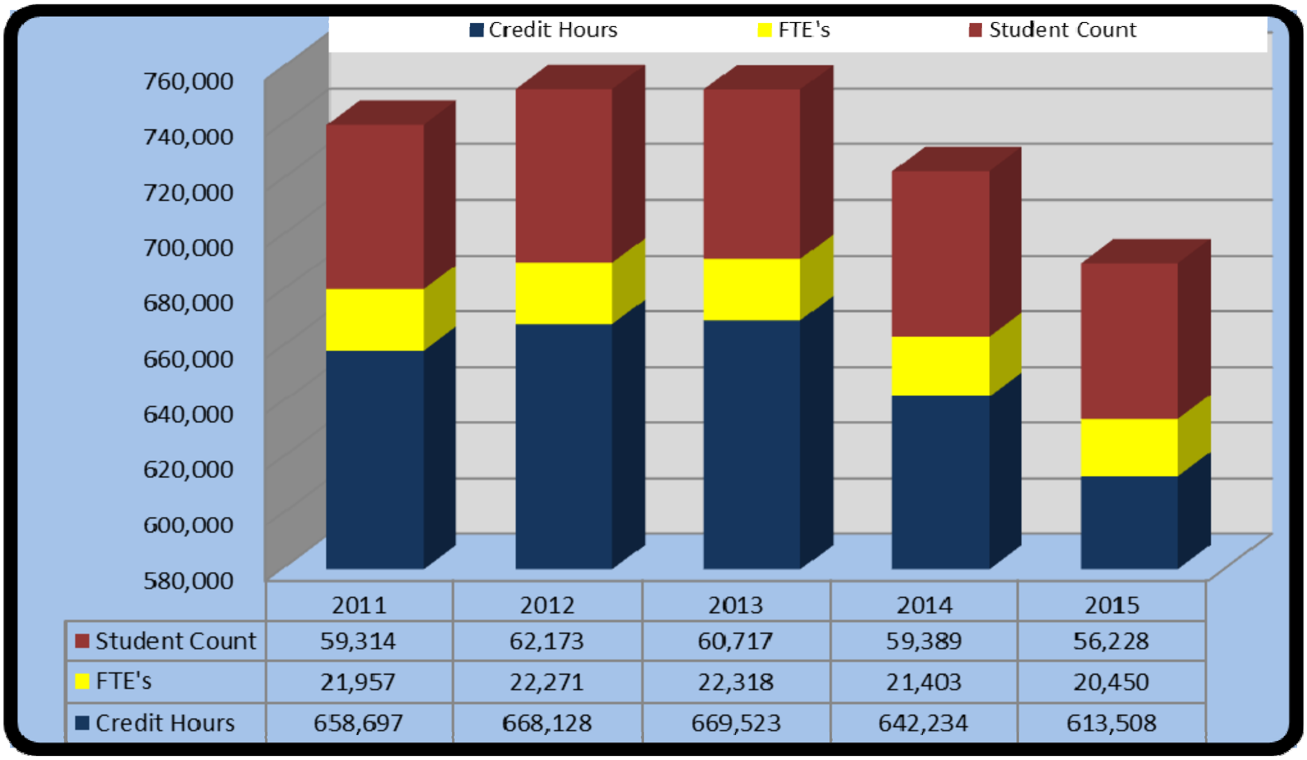
- The College's financial position continued to show growth as assets totaled $625.8 million at June 30, 2015, an increase of $29.1 million or 4.9% over June 30, 2014. This resulted primarily from a $28.8 million increase in capital assets. In 2014 assets totaled $596.7 compared to 2013 when assets totaled $574.7, a change of $22.0 million or 3.8%. This increase was due primarily from a $45.1 million increase in capital assets. Net position increased over that of FY2014 by $30.9 million or 7.1% in FY2015. The change in net position from June 30, 2013 to June 30, 2014 equaled $47.2 million or 12.3%.

- Operating revenues had slight decrease of $700 thousand or -.7.5% as a result of a decrease in auxiliary enterprises. By comparison, operating revenues in 2014 was above that of 2013 due to an increase in grants and contracts.

- Net non-operating revenues increased $20.3 million or 11.2% as a result of increased State and Local appropriations. By comparison, net non-operating revenues in 2014 increased $6.4 million or 3.7% over 2013 as a result of increased State and Local appropriations.

- Overall operating expenses for fiscal year 2015 increased $15.30 million when compared to FY2014, or 5.0%, as a result of net changes in spending which included: increases in instruction $6.1 million or 6.9%; research $37.5 thousand or 45.7%; academic support $2.4 million or 5.9%; student services $2.2 million or 7.4%; operation of plant $460 thousand or 1.0%; institutional support -$930 thousand or -1.7%; scholarships and related expenses $1.0 million or 20.5%; depreciation expense $1.9 million or 12.0%; auxiliary enterprises $240 thousand or 1.8%; other expenditures $1.4 million or 11.6% and state paid benefits $560 thousand or 4.3%. By comparison, operating expenses for FY2014 increase $26.8 million when compared to FY2013 or 9.5% as a result of net changes in spending which included: increases in increases in instruction $4.2 million or 5.0%; research $67.6 thousand or 504.0%; academic support $4.0 million or 10.7%; student services $2.8 million or 10.4%; operation of plant $1.5 million or 4.4%; institutional support $6.6 million or 13.7%; scholarships and related expenses $438 thousand or 9.7%; depreciation expense $1.6 million or 10.9%; auxiliary enterprises $1.6 million or 13.3%; other expenditures $3.9 million or 49.6% and state paid benefits $209 thousand or 1.6%.

Enrollment based on FTEs (full time equivalent students) decreased 953 FTEs to 20,450 or 4.5 % for 2015. FTEs for 2013 and 2014 were 22,318 and 21,403 an decrease of 915 FTE's or 4.1% respectively. This student FTE information is shown graphically below.



Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College using the accrual basis of accounting which is similar to the accounting methods used by most private sector institutions. The Statement of Net Position measures the difference between assets and liabilities and is one way to measure the financial health of the College. A summarized comparison of the College's assets, liabilities, and net position at June 30, 2015, 2014, and 2013 is listed in the table on the next page.

Statements of Net Position

As of June 30,	2015	2014	2013
Assets and Deferred Outflows of Resources			
Current assets	$ 99,171,079	$ 98,130,501	$ 123,076,933
Non-current assets	524,767,144	498,570,990	451,663,607
Total Assets	623,938,223	596,701,491	574,740,540
Deferred Outflows of Resources	1,894,068	-	-
Total Assets and Deferred Outflows of Resources	$ 625,832,291	$ 596,701,491	$ 574,740,540
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities	$ 32,669,220	$ 33,625,923	$ 42,398,163
Non-current liabilities	73,223,032	67,197,812	69,248,961
Total Liabilities	105,892,252	100,823,735	111,647,124
Deferred Inflows of Resources	4,875,603	-	-
Net Position			
Net investment in capital assets	463,287,946	432,397,378	385,242,934
Restricted for:			
Expendable - student loan program	2,023,653	2,011,482	2,012,518
Unrestricted	49,752,837	61,468,896	75,837,964
Total Net Position	515,064,436	495,877,756	463,093,416
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 625,832,291	$ 596,701,491	$ 574,740,540

- The College experienced negative growth in its unrestricted net position in 2015, a decrease of $11.7 million, or -19.1%, due primarily to an increase in operating expenditures and implementation of GASB 68. The change in unrestricted net position from 2013 to 2014 was a decrease of $14.4 million or -18.9%, due to primarily to an increase in operating expenditures and a decrease in tuition and fees..

- Current assets increased $1.0 million, or 1.1%, in 2015 due to increase in short-term investments and student loans receivable, net. From a liquidity perspective, current assets cover current liabilities 3.0 times, an indicator of excellent liquidity and ability to withstand short-term demands for working capital. This rate of coverage is unchanged from last year. Current assets cover 4 months of total operating expenses, including depreciation. For 2015, one month of operating expenses is approximately $27.0 million. For purposes of comparison, the change in current assets from 2013 to 2014 decreased $25.0 million or 20.3%, due primarily to decreases in short-term investments and CIP recivables.

- Non-current assets increased to $524.8 million in 2015 from $498.6 million in 2014 due to an increase in capital assets which grew by 5.9%, due to the renovation of the East Science building on the Rockville campus. By comparison, non-current assets increased 10.4% from 2013 to 2014 due to an increase in capital assets, which increased $45.1 million or 10.2%.

- Current liabilities decreased slightly and were $32.7 million in 2015 due mainly to a decrease in acocunts payable and accrued liabilities as part of the cost savings introduced in 2015. By comparison, current liabilities in 2014 decreased by $8.8 million or 20.7% due mainly to a 23.9% decrease in unearned revenues and an 85.4% decrease in overdrafts.

- Non-current liabilities increased 9.0%, which resulted from a $6.0 million increase in the netting of the Pension cost under GASB 68 and the savings from refinancing the Series 2005 bond. By comparison, the variance in non-current liabilities between 2014 and 2013 equaled a decrease of 3%, which resulted from a $2.0 million decrease in long-term liabilities. The reason for the decrease is connected to the declining long-term liabilities associated with the lease payments.

Statement of Revenues, Expenses and Changes in Net Position

A summary Statement of Revenues, Expenses and Changes in Net Position is listed on page 11 and presents the operating results of the College, as well as non-operating revenues and expenses, and other revenues for the years ended June 30, 2015, 2014, and 2013.

Annual County and State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles as detailed by pronouncements issued by the Governmental Accounting Standards Board (GASB) Statement Nos. 34 & 35, even though these appropriated funds are used to support operating activities. Consequently, the College reflects an operating loss of $232.8 million for 2015 before the appropriation of these crucial revenue streams. Adding these non-operating resources, which equaled $201.0 million in FY2015, offsets the vast majority of the operating loss, and results in an adjusted loss amount of $31.4 million. This provides a more accurate picture of the College's scale and results of operations.

Statements of Revenues, Expenses and Changes in Net Position

	FY2015	FY2014	FY2013
Operating Revenue			
Student Tuition/Fees	$ 63,156,543	$ 63,214,344	$ 64,473,104
Grants & Contracts	13,168,773	13,388,042	12,104,734
Auxiliary Enterprises	12,418,752	13,015,056	12,209,961
Other Operating Revenue	2,226,336	2,035,374	1,679,455
Total Operating Revenue	90,970,404	91,652,816	90,467,254
Operating Expenses	323,821,848	308,517,904	281,674,490
Operating Loss	(232,851,444)	(216,865,088)	(191,207,236)
Non-Operating Revenue (Expense)			
State/Local Appropriation	157,757,968	138,365,071	132,262,157
State Paid Benefits	13,753,679	13,190,914	12,981,435
Federal Pell Grants	32,134,780	32,112,955	32,043,272
Investment and Interest Income	208,621	143,289	177,757
Interest Expense	(2,382,252)	(2,641,845)	(2,723,220)
Total Non-Operating Revenue, Net	201,472,796	181,170,384	174,741,401
Loss Before Other Revenues (Expenses)	(31,378,648)	(35,694,704)	(16,465,835)
Other Revenues (Expenses)			
Capital Appropriation	57,988,481	68,091,623	58,259,028
Capital Grants/Gifts	1,011,933	504,936	319,724
Loss on Disposal of Capital Assets	(63,060)	(117,515)	(21,039)
Total Other Revenue, Net	58,937,354	68,479,044	58,557,713
Increase in Net Position	27,558,706	32,784,340	42,091,878
Beginning Net Position	495,877,756	463,093,416	421,001,538
Change in Net Position Due to Restatement - See Note 23	(8,372,026)	-	-
Ending Net Position	$ 515,064,436	$ 495,877,756	$ 463,093,416

Operating revenues decreased $700 thousand or .75% in 2015, and operating revenues in 2014 and 2013 were $91.7 million and $90.5 million respectively.

- Tuition and fees, net of scholarship allowances, equaled $63.1 million in 2015, a slight decrease of .1% from the 2014 total, and $1.2 million less than recorded for 2013. As a percentage of total operating revenues, this revenue category equals 70.0% of the total. Over the last 3 years, as a percentage of total operating revenues, this revenue category averaged 70.0%.

- Grants and contracts of $13.2 million make up 14.6% of the College's operating revenue in FY2015 and $13.4 million or 14.6% in FY2014, showing a decrease of $220 thousand and an increase of $1.3 million in FY2015 and FY2014, respectively. Funding for Federal Pell grants which equaled $32.1 million in 2015, has proven to be significant in both the number of students served as well as the positive effects it has generated in terms of student success.

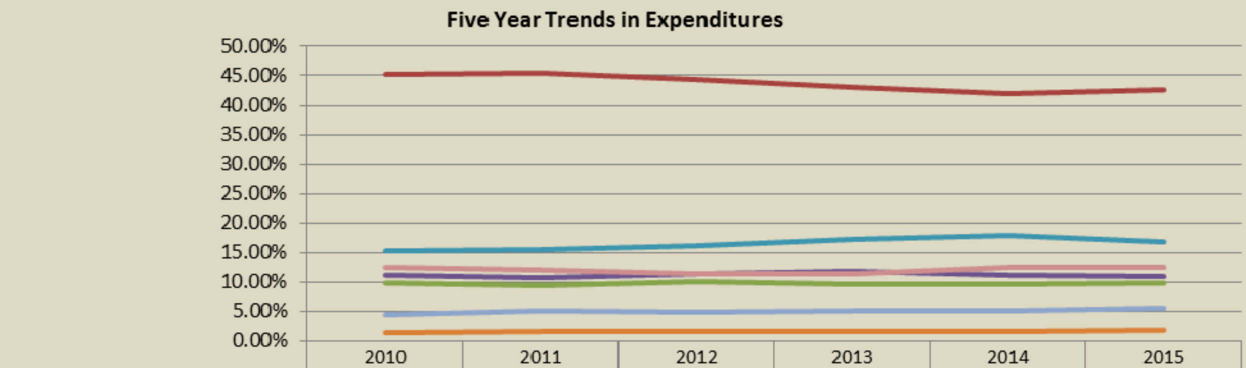
- State and Local appropriations is the key variable in the table and from a budgetary perspective, this revenue category accounted for 62.6%, 59.7%, 59.1% of the College's operating budget over the last three fiscal years respectively. Non-operating revenue increased by $20.9 million and $6.4 million in FY15 and FY14, respectively. State and Local appropriations have increased 19.0% since FY2013. The upward trend is indicative of the importance that the state and county place on the education provide by the college.

- Other revenue, primarily capital appropriations for land, construction, and equipment is funded from governmental sources. This category shows a decrease in 2015 and 2014 of $9.5 million or -13.9% and $10.1 million or 16.9% respectively. Montgomery College continues to concentrate on the renewal of and enhancement to physical infrastructure, including buildings, offices, and classrooms. Montgomery College's goal is to provide a safe, clean and secure classroom and workplace environment for students and employees. Funding can fluctuate from year to year based on the construction life cycle.

Expenses by Functional Classification

The graph on the next page shows College spending in terms of percentages for the seven standard reporting classifications has remained relatively flat. Given the nature of incremental budgeting in use by governmental entities, including Montgomery College, this pattern is not unusual.

- Due to salary and benefit increases the rate of growth for expenses for all of the functional categories show an increase of $15.3 million or 5.0%. College operating expenditures totaled $323.8 million in 2015 as compared to $308.5 million in 2014 and $281.7 million in 2013. The increased spending of $42.1 million or 15.0% between 2015 and 2013 is reflective of the improved economic climate during those years.



	2010	2011	2012	2013	2014	2015
Instruction & Acad Support	45.18%	45.39%	44.30%	43.11%	42.02%	42.64%
Student Services	9.93%	9.44%	10.17%	9.58%	9.66%	9.87%
Operation of Plant	11.24%	10.81%	11.39%	11.83%	11.28%	10.91%
Institutional Support	15.26%	15.62%	16.19%	17.23%	17.88%	16.76%
Scholarships	1.43%	1.53%	1.60%	1.61%	1.61%	1.85%
Depreciation	4.39%	5.08%	4.86%	5.07%	5.13%	5.47%
Other	12.57%	12.14%	11.49%	11.36%	12.42%	12.50%

- Instructional and academic support expenditures represented $138.2 million or 42.8% of total College expenses in 2015, reflecting a spending increase of $8.6 million. For 2014 and 2013, instructional and academic support expenditures represented 41.9% and 43.1%, respectively of total operating expenses.

- Salaries and benefits continue to be the major component of all functional categories, except scholarships, depreciation and disposals which contain no salary expenses. In 2015, salaries and benefits accounted for 70.8% of all College expenditures and these employee compensation costs totaled $229.2 million (including State paid retirement costs). This represents a $10.3 million or 4.7% increase over FY2014. In FY2014 and FY2013, College salary and benefit expenditures (including State paid retirement costs), equaled $218.9 and $204.7 million, respectively.

- Spending for institutional support in 2015 decrease slightly increased from $55.2 million to $54.2 million, a decrease of $934 thousand or -1.6%. The factor most associated with this change is the cost savings plan that was implemented in FY2015. From 2014 to 2013, the increase in spending was $6.6 million, an increase of 13.7%.

- Scholarships and related expenses include only that portion of student aid which was paid to the student and not used to offset tuition and fees. Scholarship expenditures in the amount of $34.4 million were offset against tuition and fee income. In 2015, spending for this function equaled $6.0 million, a 20.4% increase over 2014. In 2014, spending for scholarships equaled $5.0 million and in 2013 equaled $4.5 million.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flow and its ability to meet obligations as they come due. This Statement of Cash Flows represents the significant sources and uses of cash.

Statements of Cash Flows

	2015	2014	2013
Net cash used in operating activities	$ (201,543,979)	$ (194,823,124)	$ (153,423,498)
Net cash provided by non-capital financing activities	189,935,223	169,991,338	165,176,191
Net cash provided by (used in) capital and related financing activities	8,334,828	12,086,449	(10,379,577)
Net cash provided by (used in) investing activities	(5,086,146)	9,226,781	(2,462,703)
Decrease in cash and cash equivalents	(8,360,074)	(3,518,556)	(1,089,587)
Cash and cash equivalents, beginning of year	40,294,848	43,813,404	44,902,991
Cash and cash equivalents, end of year	$ 31,934,774	$ 40,294,848	$ 43,813,404

- The College's cash and cash equivalents decreased by $8.4 million for FY2015. This change was due mainly to an increase in cash used for operating activities of $6.7 million over FY2014. In addition, cash flows used in investing activities decreased $14.3 million due to more cash used to purchase investments while cash flows from non-capital financing activities increased by $19.9 million. By contrast, the College's cash and cash equivalents decreased by $3.5 million in 2014. This change from 2013 to 2014 was due mainly to an increase in cash used for operating activities.

- A large portion of the $19.9 million increase provided by non-capital financing activities is due to a $19 million increase in state and local appropriations.

Economic or Regulatory Factors that Can Affect the Future of the College

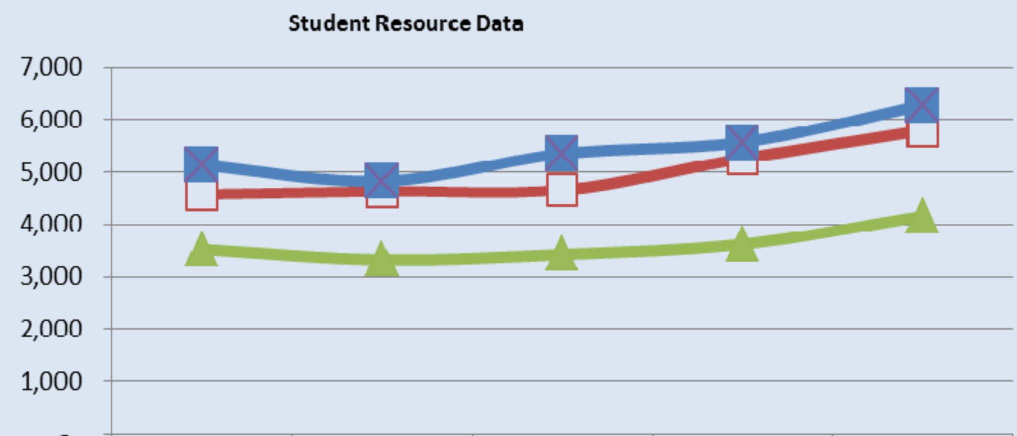
Listed below are significant challenges that can impact the future of Montgomery College:

- Montgomery County and the State of Maryland provide significant resources to the College and as such, the economic condition of the State and Local region has a major bearing on the future economic health of the College. Early fiscal projections for the County show no new resources available for funding in 2017 due to the recent decision in the Wynne case, and the shortfall of extimated tax revenues for FY15. The state is projecting and increase in revenue estimates for 2016 and 2017, and remains cautious in making fiscal policy decisions that will increase funding in higher education. The level of state and local support, potential compensation increases, and student tuition and fee increases will impact the College's ability to expand programs, undertake initiatives, and meet core mission and ongoing operational needs.

- The unemployment rate in Maryland in July 2015, July 2014 and July 2013 was 5.2%, 6.5% and 7.1%, respectively. This is slightly below the national rate which stood at 5.3% for July, 2015 a decline over the last year from 6.1% a year ago. The unemployment rate has been trending lower for Montgomery County (4.1% in July 2015), and an increase in this single factor could impact the budgetary picture for months or years to come as it affects so many different governmental tax structures, revenue pools and fiscal planning initiatives.

- Montgomery College's enrollment is budgeted to be 20,143 in full-time equivalent (FTE) students next year which is a decrease of 1.5% when complared to FY15. The College is beginning to see a decline in enrollment as the economy improves and more students are leaving the classroom to return to work coupled with a decline in the growth of graduating students from the Montgomery County Public Schools (MCPS). MCPS is projecting a decrease in the number of graduating students through FY2017, then a return to FY2014 number of graduates.

- As indicated in the graph below, the cost per student metric continues to rise, up 26.6% in five years. Due to both a slight decrease in tuition and fees and an increase in State and County aid, total revenue per student increased in 12.6% when complared to FY2014 and 17.2% when compared to FY2013.



	2011	2012	2013	2014	2015
Cost per student	4,572	4,628	4,659	5,262	5,790
T&F+Gov App per std	3,523	3,326	3,428	3,621	4,155
Total Rev per std	5,130	4,827	5,352	5,571	6,274

- The effects of social media technology (SMT) on teaching and learning can impact the costs of delivering educational services to our students. A rapid advance in the way students communicate, interact, and learn is likely to have a dramatic impact on our existing instructional delivery as demand increases for wireless networking. Training and staff development costs could escalate and steps to ensure that faculty remains ahead of the technology curve will always increase costs.

- There are three major capital projects that will affect the future financial position of Montgomery College. One is the renovation of the of the Science and Applied Studies building on the Germantown campus. The other two projects are the design of the Student Services Center and the construction of the parking garage on the Rockville campus.

- The changing demographics and growth of minority populations in Montgomery County will create many challenges and will require additional monies to address. For example, students within the public school system in the 2014-2015 school year spoke 183 different languages, with nearly 14% participating in English for Speaker of Other Languages (ESOL) courses.

- The reauthorization of the Higher Education Act and the impact it will have on financial aid, state funding and federal regulations could also have a financial impact on the College. The primary focus of the reauthorization is on empowering students and families to make informed decisions; simplifying and improving student aid; promoting innovation; access and completion; and ensuring strong accountability and a limited role.

In conclusion, the College remains fiscally responsible and always vigilant about internal and external factors that have the potential to affect the College's ability to conduct financial business and fulfill its mission. The College resolves to meet these challenges.

Contacting the College's Financial Management

The financial report is designed to provide interested parties with a general overview of Montgomery College's finances. If you have questions about this report or require additional financial information, contact Montgomery College, Office of Business Services, 900 Hungerford Drive, Rockville, Maryland 20850.

FINANCIAL STATEMENTS

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,934,774	$ 40,294,848
Short-term investments	41,983,273	33,390,180
CIP receivable	9,717,962	10,195,916
Student accounts receivable, net	5,992,195	5,436,560
Student loans receivable, net	1,862,669	177,320
Grants and contracts receivable	2,049,058	2,131,173
Governmental appropriations receivable	1,136,957	1,203,794
Due from Montgomery College Foundation, Inc.	93,460	559,956
Other receivables	1,199,293	829,701
Inventory	1,396,753	1,558,183
Prepaid expenses and other assets	1,804,685	2,352,870
Total current assets	99,171,079	98,130,501
Non-current assets:		
Student loans receivable - net	-	1,805,300
Deposits	49,289	49,289
Long-term investments	1,500,000	5,006,949
Net pension asset	1,213,552	-
OPEB asset value	4,698,058	3,228,708
Capital assets - net	517,306,245	488,480,744
Total non-current assets	524,767,144	498,570,990
Total Assets	623,938,223	596,701,491
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid pension contribution	1,844,068	-
Deferred loss on refunding	50,000	-
Total Deferred Outflows of Resources	1,894,068	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 625,832,291	$ 596,701,491

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014
CONTINUED

	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 20,624,988	$ 21,961,197
Overdrafts	2,388,627	1,180,545
Unearned revenue	5,159,370	5,381,260
Due to other organizations	1,990,297	2,014,658
Current portion of long-term liabilities	2,505,938	3,088,263
Total current liabilities	32,669,220	33,625,923
Non-current liabilities:		
Unearned revenue	6,002,425	6,065,887
Net pension payable	10,359,173	-
Long-term liabilities	56,861,434	61,131,925
Total non-current liabilities	73,223,032	67,197,812
Total Liabilities	105,892,252	100,823,735
DEFERRED INFLOWS OF RESOURCES		
Pension investment shortages due	1,305,603	-
Deferred gain on refunding	3,570,000	-
Total Deferred Inflows of Resources	4,875,603	-
NET POSITION		
Net investment in capital assets	463,287,946	432,397,378
Restricted for:		
Expendable- student loan programs	2,023,653	2,011,482
Unrestricted	49,752,837	61,468,896
Total Net Position	515,064,436	495,877,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 625,832,291	$ 596,701,491

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES AND EXPENSES		
Operating revenues:		
Student tuition and fees, net of scholarship allowance of $31,083,148 and $33,624,998, respectively	$ 63,156,543	$ 63,214,344
Federal grants and contracts	6,136,280	6,195,379
State grants and contracts	4,789,725	5,280,923
Local grants and contracts	2,242,768	1,911,740
Auxiliary enterprises, net of scholarship allowance of $1,912,981 and $1,994,682, respectively	12,418,752	13,015,056
Other operating revenues	2,226,336	2,035,374
Total operating revenues	90,970,404	91,652,816
Operating expenses:		
Educational and general		
Instruction	94,742,638	88,619,001
Research	118,586	81,073
Academic support	43,463,338	41,029,299
Student services	31,993,241	29,796,212
Operation of plant	35,146,917	34,788,255
Institutional support	54,228,630	55,162,159
Scholarships and related expenses	5,990,229	4,973,245
Depreciation expense	17,743,698	15,841,375
Auxiliary enterprises	13,517,248	13,276,689
Other expenditures	13,123,644	11,759,682
State paid benefits	13,753,679	13,190,914
Total operating expenses	323,821,848	308,517,904
OPERATING LOSS	(232,851,444)	(216,865,088)
NON-OPERATING REVENUES (EXPENSES)		
State and local appropriations	157,757,968	138,365,071
State paid benefits	13,753,679	13,190,914
Federal pell grants	32,134,780	32,112,955
Investment and interest income	208,621	143,289
Interest expense on capital assets related debt	(2,382,252)	(2,641,845)
NON-OPERATING REVENUES, NET	201,472,796	181,170,384
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(31,378,648)	(35,694,704)
Capital appropriations	57,988,481	68,091,623
Capital grants, contracts and gifts	1,011,933	504,936
Loss on disposal of capital assets	(63,060)	(117,515)
	58,937,354	68,479,044
INCREASE IN NET POSITION	27,558,706	32,784,340
NET POSITION, BEGINNING OF YEAR	495,877,756	463,093,416
CHANGE IN NET POSITION DUE TO RESTATEMENT - SEE NOTE 23	(8,372,026)	-
NET POSITION, END OF YEAR	$ 515,064,436	$ 495,877,756

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 62,312,916	$ 60,431,474
Grants and contracts	13,250,889	14,170,923
Payments to suppliers	(70,850,084)	(75,640,561)
Payments to employees	(215,129,414)	(203,384,396)
Payments for scholarships	(5,990,229)	(4,973,245)
Loans issued to students	(112,690)	(251,781)
Collection of loans from students	232,641	138,028
Auxiliary enterprises	12,418,752	13,015,056
Other receipts	2,323,240	1,671,378
Net cash used in operating activities	(201,543,979)	(194,823,124)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State and local appropriations	157,824,805	137,787,921
Federal pell grants	32,134,780	32,112,955
Student organization agency transactions - net	(24,362)	90,462
Net cash provided by non-capital financing activities	189,935,223	169,991,338
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	58,466,435	77,390,057
Capital grants, contracts and gifts	1,011,933	504,936
Purchase of capital assets	(46,632,459)	(61,054,141)
Payments for capital leases	(2,128,829)	(2,112,558)
Interest paid	(2,382,252)	(2,641,845)
Net cash provided by capital and related financing activities	8,334,828	12,086,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	39,536,311	51,000,000
Interest income on investments	208,621	161,206
Purchase of investments	(44,831,078)	(41,934,425)
Net cash provided by (used in) investing activities	(5,086,146)	9,226,781
DECREASE IN CASH AND CASH EQUIVALENTS	(8,360,074)	(3,518,556)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,294,848	43,813,404
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 31,934,774	$ 40,294,848
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (232,851,444)	$ (216,865,088)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	17,743,698	15,841,375
State paid benefits	13,753,679	13,190,914
OPEB benefit cost	(1,469,350)	3,147,172
Effects of changes in operating assets and liabilities:		
Receivables - net	(379,256)	(488,950)
Inventory	161,430	190,357
Loans to students - net	119,951	23,023
Other assets	548,183	(907,835)
Accounts payable	(867,164)	(436,853)
Overdrafts	1,208,082	(6,884,391)
Unearned revenue	(285,352)	(1,750,365)
Compensated absences	773,564	117,517
NET CASH USED IN OPERATING ACTIVITIES	$ (201,543,979)	$ (194,823,124)

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET ASSETS – COMPONENT UNIT
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
ASSETS		
Cash and cash equivalents	$ 2,695,185	$ 3,657,211
Money market funds - reserved for construction project	14,052,726	-
Total cash and cash equivalents	16,747,911	3,657,211
Certificates of deposit - held to maturity	2,166,362	2,142,346
Certificates of deposit - reserved for debt service	-	3,552,062
Investments	24,203,606	24,211,830
Pledges receivable, net	2,641,589	2,096,776
Prepaid expenses	24,991	11,279
Other assets	47,558	39,378
Land	2,750,000	2,750,000
Deferred financing costs	653,519	318,367
Unamortized note discount	329,358	509,241
Assets held for charitable gift annuities	363,002	415,729
Net investment in capital lease	50,275,000	55,795,000
TOTAL ASSETS	$ 100,202,896	$ 95,499,219
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 228,091	$ 554,746
Deferred revenue	-	1,030,509
Accrued interest payable	304,469	420,566
Annuities payable from charitable gifts	1,150,537	1,205,200
Notes payable - Montgomery County Revenue Authority	63,935,000	55,795,000
Unamortized note premium	3,615,563	563,269
Total liabilities	69,233,660	59,569,290
NET ASSETS		
Unrestricted	1,623,696	6,687,395
Temporarily restricted	9,584,933	10,937,219
Permanently restricted	19,760,607	18,305,315
Total net assets	30,969,236	35,929,929
TOTAL LIABILITIES AND NET ASSETS	$ 100,202,896	$ 95,499,219

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Contributions and grants, net	$ 70,066	$ 2,125,628	$ 1,265,503	$ 3,461,197
Change in value of charitable gift annuities	24,443	(20,296)	(2,211)	1,936
Contributed services	482,922	-	-	482,922
Other noncash contributions	58,449	16,428	-	74,877
Revenue from special events/activities	-	81,706	-	81,706
Interest and dividends on reserved assets	3,056	-	-	3,056
Interest and dividends on unreserved assets	80,167	517,982	-	598,149
Unrealized gain on investments	(77,541)	(924,777)	-	(1,002,318)
Realized gain on investments	27,482	447,297	-	474,779
Interest from investment in capital lease	2,328,242	-	-	2,328,242
Other income	-	31,088	-	31,088
Net assets released from restrictions	3,435,342	(3,435,342)	-	-
Total revenue, gains and other support	6,432,628	(1,160,286)	1,263,292	6,535,634
EXPENSES				
Program services:				
Scholarships	1,837,545	-	-	1,837,545
Student athletics	23,969	-	-	23,969
Student and faculty support - noncash expenses of $158,170	1,517,506	-	-	1,517,506
Note refund savings to college	4,569,618	-	-	4,569,618
Note interest expense	2,662,312	-	-	2,662,312
	10,610,950	-	-	10,610,950
General and administrative - noncash expense of $364,134	572,872	-	-	572,872
Resource development - noncash expenses of $35,495	312,505	-	-	312,505
Total expenses	11,496,327	-	-	11,496,327
CHANGE IN NET ASSETS	(5,063,699)	(1,160,286)	1,263,292	(4,960,693)
NET ASSETS, BEGINNING OF YEAR	6,687,395	10,937,219	18,305,315	35,929,929
TRANSFERS	-	(192,000)	192,000	-
NET ASSETS, END OF YEAR	$ 1,623,696	$ 9,584,933	$ 19,760,607	$ 30,969,236

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Contributions and grants, net	$ 166,032	$ 2,294,875	$ 1,533,917	$ 3,994,824
Change in value of charitable gift annuities	72,632	(3,749)	7,019	75,902
Contributed services	425,741	-	-	425,741
Other noncash contributions	41,560	5,215	-	46,775
Revenue from special events/activities	-	91,145	-	91,145
Interest and dividends on reserved assets	5,632	-	-	5,632
Interest and dividends on unreserved assets	79,816	482,902	-	562,718
Unrealized gain on investments	(13,794)	(268,272)	-	(282,066)
Realized gain on investments	249,667	2,597,774	-	2,847,441
Interest from investment in capital lease	2,640,073	-	-	2,640,073
Other income	23,406	33,458	-	56,864
Net assets released from restrictions	2,612,740	(2,612,740)	-	-
Total revenue, gains and other support	6,303,505	2,620,608	1,540,936	10,465,049
EXPENSES				
Program services:				
Scholarships	1,377,302	-	-	1,377,302
Student athletics	22,806	-	-	22,806
Student and faculty support - noncash expenses of $131,704	1,021,289	-	-	1,021,289
Note interest expense	2,594,464	-	-	2,594,464
	5,015,861	-	-	5,015,861
General and administrative - noncash expense of $318,300	510,960	-	-	510,960
Resource development - noncash expenses of $31,512	340,394	-	-	340,394
Total expenses	5,867,215	-	-	5,867,215
CHANGE IN NET ASSETS	436,290	2,620,608	1,540,936	4,597,834
NET ASSETS, BEGINNING OF YEAR	6,251,105	8,392,323	16,688,667	31,332,095
TRANSFERS	-	(75,712)	75,712	-
NET ASSETS, END OF YEAR	$ 6,687,395	$ 10,937,219	$ 18,305,315	$ 35,929,929

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
OPEB TRUST FUND
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and short-term investments	$ -	$ -
Interest and dividends receivable	-	-
Investments, at fair value		
Mutual Funds - equity	-	-
Mutual Funds - fixed income	-	-
U.S. Government Issues	-	-
Total Investments	-	-
Due from County Consolidated Retiree Healthy Benefits Trust	-	-
Total assets	-	-
LIABILITIES	-	-
NET POSITION	$ -	$ -

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
ADDITIONS		
Employer contributions	$ -	$ 341,862
Investment income:		
Net appreciation in fair value of investments	-	2,378,043
Interest	-	24
Dividends	-	490,392
Total investment income	-	2,868,459
Total additions	-	3,210,321
DEDUCTIONS		
Administrative expense	-	67,569
Transfer to County plan	-	33,612,045
Total deductions	-	33,679,614
NET DECREASE	-	(30,469,293)
NET POSITION - BEGINNING OF YEAR	-	30,469,293
NET POSITION - END OF YEAR	$ -	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity (MC and MCF)

Montgomery College (the College or MC) is considered a "body politic" under Maryland state law as an instrumentality of the State of Maryland (the State).

The College is governed by a ten member Board of Trustees, nine of whom are appointed for six-year terms by the Governor of Maryland with the advice and consent of the State Senate, and one of whom is a student appointed by the Governor to serve a one-year term.

The College's budget is subject to approval by the Montgomery County Council (the County). The Annotated Code of Maryland states that in order for a board (College) to receive an increase in the State share of support, the County share, in the aggregate, that supports the community college shall be equal to or exceed the aggregate amount of operating fund appropriations made to the board by the County in the previous fiscal year. State funding is based on enrolled eligible full-time equivalent students (marginal cost component) and a fixed cost component.

The College's financial statements include the accounts of the Montgomery College Life Sciences Park Foundation Inc. (LSF). In 2011, the Board of Directors of the College formed the Montgomery College Life Sciences Park Foundation Inc. (LSF) for the purpose of supporting the mission of the College or its successor institution and to promote the advancement of education by fostering and expanding educational and research opportunities for faculty and students of the College or its successor institution. Accordingly, the accounts of LSF have been blended herein, as required by generally accepted accounting principles. All significant interorganization balances and transactions were eliminated in consolidation.

Montgomery College Foundation, Inc. (the Foundation or MCF) is a legally separate, tax-exempt organization established to enhance the College's mission through fund-raising that benefits the College and its programs. The twenty-two member board of the Foundation is self-perpetuating and consists of alumni and friends of the College. The majority of resources that the Foundation holds and invests are restricted to the activities of the College by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from the administrative office listed below:

Montgomery College Foundation, Inc.
Director of Finance
40 West Gude Drive, Suite 220
Rockville, Maryland 20850

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (MC and MCF) (Continued)

During the years ended June 30, 2015 and 2014, the Foundation distributed $2,984,513 and $1,242,349, respectively, to the College for both restricted and unrestricted purposes.

Although the College is not a County agency, as a result of the College's relationship with the County, the College's financial statements are considered component unit statements and are properly included in the Comprehensive Annual Financial Report of the County, in accordance with generally accepted accounting principles. Transactions with the County relate primarily to appropriations for operations and capital improvements.

Basis of Presentation (MC & MCF)

The College follows the reporting and disclosure requirements for special purpose governments involved in business-type activities as outlined in Governmental Accounting Standards Board (GASB) Statements Nos. 34, 35 and 38. This provides an entity-wide perspective in the financial statement presentation. These standards require capitalization of assets, recording of depreciation, presentation of management's discussion and analysis, required supplementary information and presentation of a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements.

Basis of Accounting (MC)

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when a liability is incurred.

Use of Estimates in Preparing Financial Statements (MC & MCF)

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (MC)

The College's tuition and fees revenue is reported net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charge for tuition, goods, and services provided by the College and the amount that is paid by the student and/or third-parties making payments on behalf of the student. The scholarship allowance represents the amount of dollars the College receives as tuition from outside resources such as the Title IV Federal Grant Program, restricted grants, and the College's own Board of Trustees grants. Funds received for tuition costs from outside resources are reported in the appropriate revenue classification. Certain aid such as loans and third party payments are credited to the student's account as if the student made the payment. For fiscal years 2015 and 2014, the College netted student aid expenses in the amount of $32,996,741 and $35,619,680 against tuition revenue of $31,083,148 and $33,624,998 and auxiliary enterprises revenue of $1,912,981 and $1,994,682, respectively.

Revenue Recognition (MC)

Revenue is recognized on an accrual basis with the establishment of corresponding accounts receivable. Tuition receivables are uncollateralized obligations of students resulting from course registrations. Accounts receivable also include transactions involving governmental appropriations, student loans, grants and contracts, and financial aid. The allowance method for accounts receivable is used to measure bad debts. The allowance for doubtful accounts is determined based upon aging analysis and management's estimation of collectability of such accounts.

Federal Financial Assistance Programs (MC)

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans and Perkins Loan programs. Federal programs are audited in accordance with the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement*.

Operating and Non-Operating Components (MC)

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The College's principal ongoing operations determine operating flow activities. Ongoing operations of the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs. Operating revenues of the College consist of tuition and fees, grants and contracts (except Federal Pell grants), and auxiliary enterprises revenues.

Financial statement non-operating components include transactions and other events that are defined as non-capital financing activities, capital financing activities, and investing activities. Non-capital financing activities include borrowing money for purposes other than to acquire, construct or improve capital assets and repaying those amounts borrowed, including interest.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Components (MC) (Continued)

Also included are certain interfund and intergovernmental receipts and payments such as State appropriations, State paid benefits and student organization agency transactions. Capital financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) long-term borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments.

Encumbrances (MC)

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials and services not received during the year. Encumbrances at June 30, 2015 and 2014, respectively, were $16,857,890 and $19,978,984, which represent the estimated amount of expense ultimately to result if unperformed obligations are completed. Encumbrances outstanding at June 30, 2015 and 2014 do not constitute expenses or liabilities and are not reflected in these financial statements.

Net Position (MC)

Net position is classified according to external restrictions or availability of assets for satisfaction of College obligations. Restricted net position is reported as either expendable or nonexpendable. The unrestricted net position for the years ended June 30, 2015 and 2014 was earmarked for:

	2015	2014
Encumbrances	$ 16,857,890	$ 19,978,984
Emergency repairs and maintenance	666,911	838,972
Reserve for major facility projects	10,329,265	10,629,860
Reserve for OPEB contribution	(4,615,545)	3,228,708
Quasi-endowment	536,233	600,349
Other purposes	25,978,083	26,192,023
Total	$ 49,752,837	$ 61,468,896

Expenditures of quasi-endowment funds require approval by the Board of Trustees.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (MCF)

Net assets, which results from contributions or other inflows of assets from donors, are reported as unrestricted or restricted based on stipulations of the donor. Unrestricted net assets is the portion of net assets that is neither temporarily nor permanently restricted by donor stipulations or their use. Temporarily restricted net assets are the portion of net assets whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the Foundation pursuant to those stipulations. Permanently restricted net assets is the portion of net assets whose use is limited by donor-imposed stipulations that cannot be removed by the passage of time or action of the Foundation. Expenditures which meet the specific purposes of temporarily restricted net assets are released from temporarily restricted net assets prior to being expensed from unrestricted net assets.

Restricted Net Position - Expendable and Nonexpendable (MC)

The College's restricted net position has constraints placed upon them either: (a) externally imposed by creditors, grantors, contributors, or laws/regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As such, GASB No. 34 requires the College's restricted net position to be delineated on the financials as either expendable or nonexpendable. Nonexpendable net position is required to be maintained in perpetuity. The College had no nonexpendable net position at June 30, 2015 and 2014. Expendable net position, for which there are externally imposed constraints, are obligated or expended with the condition(s) of the constraints. Expendable net position represents amounts in the Perkins revolving loan fund.

Cash and Cash Equivalents (MC & MCF)

Cash equivalents are items that are readily convertible to cash while carrying an insignificant risk of change in value. Cash equivalents have original maturities at the date of purchase of three months or less.

Short-term Investments (MC)

Short-term investments with maturities of less than one year on June 30, 2015 and 2014 have been included as cash and cash equivalents and consist of banker's acceptances, U.S. Government Agency and Sponsored Instruments, and the Maryland Local Government Investment Pool (MLGIP). All such short-term investments for the College are carried at amortized cost.

Current and Non-Current (MC)

Current assets include cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with the normal business operation. They can consist of cash, inventories, accounts receivable, loans receivable, marketable securities, and prepaid expenses which meet the conditions stated above. Current liabilities are defined as obligations whose liquidation is reasonably

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and Non-Current (MC) (Continued)

expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Other assets and liabilities which extend past the one year period are classified as non-current.

Unamortized Interest (MCF)

Notes payable between the Foundation and the Montgomery County Revenue Authority (the Authority) are funded by bonds issued by the Authority. These bonds have been sold at a premium or discount to their par value. The Foundation received the proceeds from these bond issues net of the costs to issue the bonds and reduced for or increased by the premium or discount on the bonds. The premium or discount has been recorded as unamortized note premium or discount that is being amortized over the life of the note to revenue or expense, respectively.

Inventories (MC)

Inventories, consisting principally of bookstore merchandise and supplies, are determined on the first-in, first-out (FIFO) method and are stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Unearned Revenue (MC)

Tuition and fee revenues received and related to the period after June 30, 2015 and 2014 have been recognized as unearned revenue.

Capital Assets (MC)

Capital assets are long-lived tangible assets which include real property (land and buildings) and personal property (equipment, library books, art works). This class of assets will benefit future periods as an asset rather than being treated as an expense in the period that the expenditure occurs. Capital assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, infrastructure, and other tangible assets that have initial useful lives extending beyond a single reporting period. Normally, a dollar threshold is established for each item in this class prior to being classified as a capital asset. The College’s policy limit for capitalization is $5,000 per individual asset.

The basis of valuation for assets constructed or purchased is cost, while assets acquired by gift are recorded at their fair values. The College records depreciation on all capital assets in accordance GASB Statement No. 35, except for land and art works, and it is not allocated to the functional expenditure categories. Land is not depreciated as it is considered to have an indefinite useful life. Expenditures for construction in progress are capitalized as incurred. The entire library collection is recorded and valued at cost or estimated cost as a unit without regard to individual item cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (MC) (Continued)

cost as a unit without regard to individual item cost. Depreciation is computed on a straight-line basis over estimated useful lives as noted below (depreciation starts in the first full year after the year of acquisition):

Buildings (including infrastructures, alterations, renovations, and renewals and replacements)	35 years
Library books	10 years
Furniture and equipment - acquired prior to July 1, 2005	7 years
Furniture and equipment - acquired subsequent to July 1, 2005 as follows:	
Computer equipment	3 years
Computer infrastructure	5 years
Equipment	3-7 years
Vehicles	7 years
Instructional equipment	7 years

Land (MCF)

Land has been recorded at its appraised value upon receipt of the donation to the Foundation. The land is held primarily for use by the College in support of its operations. Expenditures for any maintenance of the land are borne by the College.

Management reviews the carrying value of the land asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such review indicates that the asset is impaired, given that the carrying amount of the asset exceeds its fair value as of the measurement date, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are written down to the lower of cost or fair value. No impairment was recognized for the years ended June 30, 2015 or 2014.

Valuation of Investments (MCF)

Investments are stated at fair value as determined by quoted market prices. Realized and unrealized gains and losses in fair value, interest income and dividend income are reflected in the Statements of Activities.

Pledges (MCF)

Legally enforceable pledges are recorded as support in the year the pledges are made. Payments to be received in periods beyond one year are reflected at their present value. Pledges deemed uncollectible are charged directly against gift and contribution revenue and pledges receivable is reduced.

Contributions of temporarily restricted net position that are received and expended in the same fiscal year are treated as temporarily restricted revenue and net assets released from restriction in that year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges (MCF) (Continued)

Permanently Restricted Contributions – Contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation are included in permanently restricted net assets. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains on related investments, if any, for general or specific purposes in accordance with the Foundation's spending policy.

Temporarily Restricted Contributions – Contributions subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time are included in temporarily restricted net assets.

Unrestricted Contributions – Contributions are subject to donor-imposed stipulations, or whose restrictions have been satisfied, or are recorded as unrestricted net assets.

Non-cash Contributions (MCF)

Non-cash contributions are recorded at their fair value on the date of receipt. Certain non-cash items received are donations to the College for educational support.

Deferred Outflows/Inflows of Resources (MC)

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2015, the College recognized changes in actuarial assumptions that are being amortized over a five-year period, contributions made subsequent to the measurement date related to pensions, and the loss on refunding of bonds totaling $1,894,068 as deferred outflows of resources. The College did not have any deferred outflows of resources at June 30, 2014.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. At June 30, 2015, the Board recognized the difference between the projected an actual investment earnings related to pensions and the gain on refunding of bonds totaling $4,875,603 as a deferred inflow of resources. The College did not have any deferred inflows of resources at June 30, 2014.

Pensions (MC)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board (GASB) Pronouncements

The following GASB pronouncements were implemented by the College during fiscal year 2015:

During fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment pf GASB Statement No. 27 and* GASB Statement No. 71, Pension *Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The adoption of this Statement resulted in a restatement for the change in accounting principal (see Note 23).

Pending Pronouncements

The following GASB pronouncements have been issued but not yet implemented by the College:

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement are generally effective for fiscal years beginning after June 15, 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements (Continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The College has not yet completed the process of evaluating the impact of GASB Statements Nos. 72, 73, 74, 75 and 76 on its financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications (MC)

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications did not have any impact on net position or change in net position.

NOTE 2 CASH AND INVESTMENTS (MC & MCF)

Cash, Cash Equivalents and Investments (MC)

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes and modifies disclosure requirements related to investment and deposit risks:

- Credit Risk
- Custodial Credit Risk
- Concentrations of Credit Risk
- Interest Rate Risk
- Foreign Currency Risk

As of June 30, 2015 and 2014, the College's carrying amount of cash, cash equivalents, short-term investments, and investments consisted of the following:

	2015	2014
Cash	$ 3,212,388	$ 4,737,075
Cash equivalent - MLGIP	28,722,386	35,557,773
Total cash and cash equivalents	31,934,774	40,294,848
Short-term investments	41,983,273	33,390,180
Total cash and short-term investments	73,918,047	73,685,028
Long-term investments	1,500,000	5,006,949
Total	$ 75,418,047	$ 78,691,977

Custodial Credit Risks. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with the securities held by the pledging bank; collateralized with securities held by the pledging bank's trust department or agent but not in the College's name.

The carrying amount for the College and Montgomery College Life Sciences Park Foundation, Inc. deposits was $3,037,911 and $4,529,517 as of June 30, 2015 and 2014, respectively. Petty cash and cashier's change funds of $110,594 and $157,005 as of June 30, 2015 and 2014, respectively, are excluded from these amounts. In addition, private loans of $63,882 and $50,554 as of June 30, 2015 and 2014, respectively, are excluded from these amounts. Actual bank statement balances totaled $3,042,739 and $7,462,187 at the end of fiscal years 2015 and 2014, respectively. Collateral was maintained during the year to secure all deposits and investments as specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland.

NOTE 2 CASH AND INVESTMENTS (MC & MCF) (CONTINUED)

Cash, Cash Equivalents and Investments (MC) (Continued)

Article 95, Section 22 and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland authorizes, and the College's adopted investment policy authorizes, the College to invest surplus cash in U.S. Treasury obligations, U.S. governmental agencies and instrumentalities securities, collateralized certificates of deposit, repurchase agreements, the Maryland Local Government Investment Pool (MLGIP), commercial paper, and bankers' acceptances. In the opinion of management, the College is in compliance with all provisions of the Annotated Code of Maryland and the College's investment policy.

During the year, the College invested in bankers' acceptances, certificates of deposit and U. S. Government agency and instrumentalities securities with no maturities extending past December 30, 2015. The College also invested in the MLGIP with collateral being held for the pool consisting of U.S. Government and agency securities, bankers' acceptances, commercial paper, and corporate bonds. The MLGIP is managed by PNC Bank under contract with the State of Maryland. Collateral was held at the Bank of New York in the College's name. The collateral balance was maintained throughout the year in sums in excess of any single day bank balance.

The longest length to maturity at time of purchase of any one investment was approximately thirteen months. These investments are reported in the College's balance sheet at amortized cost. The College also invests funds in the MLGIP, an external investment pool, a "2a-7 like pool". All securities in the MLGIP are valued daily by MLGIP on an amortized basis. In conformance with GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, these assets are carried at an amortized basis in the College's Statement of Net Position.

As of June 30, 2015 the College had the following investments and maturities.

		Investment Maturities (in Months)		
Investment Type	**Total**	**Less than 6**	**7-12**	**13 - 18**
U.S. Agency:				
FHLB coupon	$ 14,241,591	$ 5,743,491	$ 6,998,100	$ 1,500,000
Farmer Mac discount notes	1,495,298	1,495,298	-	-
Fed Farm Credit Bureau coupon	8,529,236	5,003,721	3,525,515	-
FNMA discount notes	3,005,311	-	3,005,311	-
Negotiable certificates of deposit	16,211,837	6,900,000	9,311,837	-
Local Government Investment Pool	28,722,386	28,722,386	-	-
Total	$ 72,205,659	$ 47,864,896	$ 22,840,763	$ 1,500,000

NOTE 2 CASH AND INVESTMENTS (MC & MCF) (CONTINUED)

Cash, Cash Equivalents and Investments (MC) (Continued)

As of June 30, 2014 the College had the following investments and maturities.

		Investment Maturities (in Months)		
Investment Type	**Total**	**Less than 6**	**7-12**	**13 - 18**
U.S. Agency:				
FHLB coupon	$ 8,779,310	$ 750,000	$ 8,029,310	$ -
Farmer Mac discount notes	6,491,287	4,992,521	1,498,766	-
Fed Farm Credit Bureau coupon	5,003,621	-	2,000,000	3,003,621
FNMA discount notes	1,996,862	1,996,862	-	-
FNMA strips	998,617	-	998,617	-
Bankers acceptances	371,908	371,908	-	-
Negotiable certificates of deposit	14,755,524	4,000,000	8,752,196	2,003,328
Local Government Investment Pool	35,557,773	35,557,773	-	-
Total	$ 73,954,902	$ 47,669,064	$ 21,278,889	$ 5,006,949

As of June 30, the College's investments were rated as follows:

	2015			2014		
Investment Type	**S&P**	**Moody's**	**Fitch**	**S&P**	**Moody's**	**Fitch**
U.S. Agency:						
FHLB coupon	AA+	Aaa	NR	AA+	Aaa	NR
Farmer Mac discount notes	NR	NR	NR	NR	NR	NR
Fed Farm Credit Bureau coupon	AA+	Aaa	NR	AA+	Aaa	AAA
FNMA discount notes	AA+	Aaa	NR	AAA	AA	NR
FNMA strips	-	-	-	AA+	Aaa	NR
Bankers acceptances JP Morgan Chase	-	-	-	A-1	P-1	NR
Certificates of deposit	AA+	Aaa	NR	AA+	AAA	NR
Certificates of deposit	AA+	Aaa	NR	AA+	Aaa	AAA
Certificates of deposit	NR	NR	NR	NR	NR	NR

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the College's investment policy limits the maturity length to one year with special approval required to purchase a security not to exceed two years.

NOTE 2 CASH AND INVESTMENTS (MC & MCF) (CONTINUED)

Cash, Cash Equivalents and Investments (MC) (Continued)

Credit Risk. The College's investment policy does not allow investments in commercial paper or corporate bonds. The College's investment policy does allow investments in Money Market Treasury Funds. These funds must be operated in accordance with Rule 2a-7 and have the highest possible rating from at least one NRSRO as designated by the SEC. The MLGIP functions as a U.S. Treasury Money Market Fund and is under contract with the State of Maryland Treasurer's Office. The MLGIP was rated AAAm by Standard & Poor's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party, because the securities are not insured and are not registered in the College's name and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. During the years ended June 30, 2015 and 2014, the College did not invest in any repurchase agreements. The College's investment policy requires all collateral be held by an independent third-party with whom the College has a current custodial agreement in a segregated account with a clearly marked evidence of ownership and a safekeeping receipt supplied to the College.

Concentrations of Credit Risk. GASB 40 requires the identification, by amount and issuer, of investments in any one issuer that represents 5% or more of total investments. The College's investment policy allows the following diversification by instrument at time of purchase:

U.S. Treasury obligations	100%
U.S. Government agency & sponsored instrumentalities	50%
Repurchase agreements	50%
Collateralized certificates of deposits	25%
Bankers' acceptances	50%
Maryland Local Government Investment Pool	50%
Money Market Funds	25%
Commercial paper	5%

Security types noted above are further diversified by issuing institution:

Approved security dealers	25%
Maryland Local Government Investment Pool	50%
Bankers' acceptances by issuing institution	10%
Commercial banks	10%
Money Market Funds by Fund	25%
U.S. Government Agencies by Agency	20%
Commercial paper	5%

NOTE 2 CASH AND INVESTMENTS (MC & MCF) (CONTINUED)

Cash, Cash Equivalents and Investments (MC) (Continued)

Foreign Currency Risk. In accordance with Section IX of the College's Investment Program, Diversification in Authorized and Suitable Investments, the College is restricted to banks (financial institutions) chartered in the State of Maryland and bankers' acceptances of domestic banks. Repurchase agreements must be backed by obligations of the United States, its agencies or instrumentalities. The College, by Procedure 61003CP, Chapter VI 'Fiscal and Administrative Affairs', Subject 'Bank Services', Section VI is limited to 'banks located within the County' for depository services.

As of June 30, 2015, the College had federal agency securities held in the name of the College with Wilington Trust, PNC, Sandy Spring Bank and Revere Bank to collateralize deposits of the College.

Cash, Cash Equivalents and Investments (MCF)

The Foundation maintains its cash, cash equivalents and investments in accounts which are insured by the FDIC up to specified limits and may, at times, exceed the federally insured limits. Cash in bank as of June 30, 2015 and 2014 was $4,941,765 and $9,366,027, respectively. The Foundation has not experienced any losses on such accounts and management does not believe that it is exposed to any significant credit risk.

Investments (MCF)

The investments of the Foundation are carried at fair value and summarized at June 30 as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 24,225,013	$ 24,203,606	$ 23,221,062	$ 24,211,830

NOTE 3 ACCOUNTS AND PLEDGES RECEIVABLE (MC and MCF)

Accounts Receivable (MC)

Tuition and fees receivables are recorded net of allowance for doubtful accounts of $13,883,149 and $13,264,003 at June 30, 2015 and 2014, respectively.

The College currently participates in the Federal Perkins Loan Program (Perkins) and the Nursing Student Loan Program (NSLP). At June 30, 2015 and 2014, the balance of the Perkins receivables included in the student loans receivable was $2,243,515 and $2,368,271, respectively, less an allowance for doubtful receivables of $383,486 and $385,651, respectively. As of June 30, 2015 and 2014, the balance of the NSLP receivables included in the student loans receivable was $2,640 and $4,783, respectively, less an allowance for doubtful receivables of $0 and $914, respectively.

NOTE 3 ACCOUNTS AND PLEDGES RECEIVABLE (MC and MCF) (CONTINUED)

Pledges Receivable (MCF)

Pledges receivable at June 30 include amounts due in:

	2015	2014
Less than one year	$ 946,950	$ 991,958
One to five years	1,642,029	1,012,731
More than five years	1,683,720	1,683,720
	4,272,699	3,688,409
Pledges deemed uncollectible	(30,491)	(44,599)
Present value discount	(1,600,619)	(1,547,034)
Total	$ 2,641,589	$ 2,096,776

The discount rate used on long-term promises to give was 3% in both 2015 and 2014. Pledges deemed uncollectible are approximately 3% of discounted unconditional promises to give at June 30, 2015 and 2014 as determined by a review of individual current year

The Foundation was named remainder interest beneficiary of two charitable remainder unitrusts where the Foundation is not the trustee and does not exercise control over the assets contributed to the trusts. The Foundation recorded the agreements as pledges receivable and contributions at the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments are made to the receivables on a yearly basis to reflect the accretion of the discounts and revaluation of the present value of the estimated future payments. As of June 30, 2015 and 2014, the amount included in the pledge receivable balance was $181,374 and $191,263, respectively.

NOTE 4 CHARITABLE REMAINDER TRUSTS (MCF)

The Foundation has been designated as remainder interest beneficiary under certain charitable gift-annuity agreements contracted with donors. The agreements call for specified distributions (annuity payments) to be paid to designated lead interest beneficiaries during their lives. The Foundation holds and invests the assets of the charitable gift annuity agreements and ensures that the specified distributions are made to the lead interest beneficiaries. The assets held and annuities payable are reflected on the Statements of Financial Position.

Upon commencement of such agreements, the Foundation records the fair value of the assets received and records the estimated present value of future payments to the lead interest beneficiaries as a liability for annuities payable from charitable gift annuity agreements. The liability is established by estimating future payments based on the beneficiary's life expectancy and discounting those payments to their present value. The excess of the assets received over the liability incurred is recognized on the Statements of Activities as contributions under charitable gift annuity agreements.

NOTE 4 CHARITABLE REMAINDER TRUSTS (MCF) (CONTINUED)

Assets held in split-interest agreements are adjusted to their fair value and the liability for annuities payable is adjusted to its current estimated present value on a recurring basis. Adjustments to the liability are reflected on the Statements of Activities as changes in the value of gift annuity agreements. When the estimated present value of the liability exceeds the value of the related assets, the deficit is a reduction of unrestricted net assets.

As of June 30, the assets, obligations and net assets related to charitable gift annuities were classified as follows:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets held for charitable gift annuities	$ 86,929	$ 229,133	$ 46,940	$ 363,002
Annuities payable from charitable gifts	1,054,464	67,402	28,671	1,150,537
Net assets / liabilities	$ (967,535)	$ 161,731	$ 18,269	$ (787,535)
2014				
Assets held for charitable gift annuities	$ 113,611	$ 252,185	$ 49,933	$ 415,729
Annuities payable from charitable gifts	1,105,589	70,157	29,454	1,205,200
Net assets / liabilities	$ (991,978)	$ 182,028	$ 20,479	$ (789,471)

During the years ended June 30, 2015 and 2014, no split-interest agreements were extinguished. One new split-interest agreement was created in 2014. The total number of split-interest agreements was 15 as of June 30, 2015 and 2014.

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (MC)

Capital Assets, Net (MC)

The following tables represent the changes in the capital asset categories (including depreciation) for fiscal years 2015 and 2014, respectively.

	Balance at July 1, 2014	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2015
Non-depreciable assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in progress - buildings	145,701,938	12,502,962	(140,830,893)	17,374,007
Construction in progress - equipment	803,360	2,031,424	(1,481,233)	1,353,551
Construction in progress - software	609,272	-	(609,272)	-
Art Works	186,805	45,000	-	231,805
Total non-depreciable assets	184,045,962	14,579,386	(142,921,398)	55,703,950
Depreciable assets				
Buildings	345,482,919	26,161,295	140,830,893	512,475,107
Equipment	67,506,803	7,035,212	-	74,542,015
Library books	6,035,041	337,598	(271,245)	6,101,394
Capital lease - building	65,695,000	-	-	65,695,000
Capital lease - copiers	594,637	-	-	594,637
Capital software	2,398,172	-	609,272	3,007,444
Total depreciable assets	487,712,572	33,534,105	141,168,920	662,415,597
Less accumulated depreciation				
Buildings	122,018,202	8,656,399	-	130,674,601
Equipment	45,274,627	6,341,112	-	51,615,739
Library books	4,369,629	269,482	(208,186)	4,430,925
Capital leases	10,239,924	2,135,784	-	12,375,708
Capital software	1,375,408	340,921	-	1,716,329
Total accumulated depreciation	183,277,790	17,743,698	(208,186)	200,813,302
Depreciable assets, net	304,434,782	15,790,407	141,377,106	461,602,295
Capital assets, net	$ 488,480,744	$ 30,369,793	$ (1,544,292)	$ 517,306,245

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (MC) (CONTINUED)

Capital Assets, Net (MC) (Continued)

	Balance at July 1, 2013	Additions	Disposals / Lease Retirements	Balance at June 30, 2014
Non-depreciable assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in progress - buildings	90,733,217	55,545,169	(576,448)	145,701,938
Construction in progress - equipment	6,968,743	1,569,059	(7,734,442)	803,360
Construction in progress - software	1,632,036	-	(1,022,764)	609,272
Art works	186,805	-	-	186,805
Total non-depreciable assets	136,265,388	57,114,228	(9,333,654)	184,045,962
Depreciable assets				
Buildings	344,872,697	29,707	580,515	345,482,919
Equipment	60,866,059	3,583,226	3,057,518	67,506,803
Library books	6,201,566	332,696	(499,221)	6,035,041
Capital lease - building	65,695,000	-	-	65,695,000
Capital lease - copiers	594,637	-	-	594,637
Capital software	1,375,408	-	1,022,764	2,398,172
Total depreciable assets	479,605,367	3,945,629	4,161,576	487,712,572
Less accumulated depreciation				
Buildings	113,379,236	8,638,966	-	122,018,202
Equipment	45,462,484	4,479,284	(4,667,141)	45,274,627
Library books	4,482,606	268,729	(381,706)	4,369,629
Capital leases	8,243,997	1,995,927	-	10,239,924
Capital software	916,939	458,469	-	1,375,408
Total accumulated depreciation	172,485,262	15,841,375	(5,048,847)	183,277,790
Depreciable assets, net	307,120,105	(11,895,746)	9,210,423	304,434,782
Capital assets, net	$ 443,385,493	$ 45,218,482	$ (123,231)	$ 488,480,744

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (MC)

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year as follows:

	2015	2014
Salaries and wages	$ 7,458,001	$ 7,742,167
Benefits	1,159,000	1,061,000
Services and supplies	9,776,215	9,614,895
Payroll withholding	1,753,431	2,825,432
Unclaimed checks	412,649	564,496
Other	65,692	153,207
Total	$ 20,624,988	$ 21,961,197

NOTE 7 LONG-TERM LIABILITIES (MC)

Long-term liability activity for the years ended June 30, 2015 and 2014 is as follows:

	Beginning Balance	Additions	Retirements	Refunding	Ending Balance	Current Portion
June 30, 2015						
Aetna supplemental retirement funds	$ -	$ 22,449	$ -	$ -	$ 22,449	$ -
Lease obligations - 2005	26,140,000	-	-	(26,140,000)	-	-
Lease obligations - 2008	15,090,000	-	(475,000)	(14,615,000)	-	-
Lease obligations - 2011	14,565,000	-	(445,000)	-	14,120,000	450,000
Lease obligations - 2014	-	-	(1,080,000)	22,570,000	21,490,000	1,050,000
Lease obligations - 2015	-	-	-	14,665,000	14,665,000	620,000
Copier Leases	162,053	-	(128,829)	-	33,224	33,224
Compensated absences	8,263,135	1,126,278	(352,714)	-	9,036,699	352,714
Total	$ 64,220,188	$ 1,148,727	$ (2,481,543)	$ (3,520,000)	$ 59,367,372	$ 2,505,938
June 30, 2014						
Aetna supplemental retirement funds	$ 21,240	$ -	$ (21,240)	$ -	$ -	$ -
Lease obligations - 2005	27,240,000	-	(1,100,000)	-	26,140,000	1,145,000
Lease obligations - 2008	15,545,000	-	(455,000)	-	15,090,000	475,000
Lease obligations - 2011	15,000,000	-	(435,000)	-	14,565,000	445,000
Copier Leases	284,611	-	(122,558)	-	162,053	128,828
Compensated absences	8,145,618	1,011,952	(894,435)	-	8,263,135	894,435
Total	$ 66,236,469	$ 1,011,952	$ (3,028,233)	$ -	$ 64,220,188	$ 3,088,263

a) Lease Obligations – 2005 and 2014

The College has entered into a new lease agreement, effective November 19, 2014 with the Foundation replacing the Series 2005 bonds. The Series 2005 bonds were called and refinanced with Series 2014 bonds at a par value of $22,570,000. The reissuance of bonds resulted in a $3,570,000 deferred inflow – bond refinancing gain and will be amortized over the life of the lease. The new lease agreement will be treated as a capital lease with 16 years of payments from 2015 to 2030. The lease is a triple net lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the Morris and Gwendolyn Cafritz Foundation Arts Center. The College is current on all required payments to the Foundation.

For accounting purposes, the project lease is deemed a capital lease. The original cost of assets acquired under this capital lease is $33,000,000 and the accumulated depreciation totals $7,940,000 and $6,860,000 at June 30, 2015 and June 30, 2014, respectively. The College paid the Foundation $2,102,301 and $2,351,956 during the years ended June 30, 2015 and June 30, 2014, respectively, as stipulated in the project lease.

The land on which the Morris and Gwendolyn Cafritz Foundation Arts Center was built is owned by the College. The Foundation has entered into a lease agreement with the College whereby the land is leased to the Foundation for thirty years for a fee of $5,000.

NOTE 7 LONG-TERM LIABILITIES (MC) (CONTINUED)

b) Lease Obligations – 2008 and 2015

The College has entered into a new lease agreement, effective June 23, 2015 with the Foundation replacing the Series 2008 bonds. The Series 2008 bonds were called and refinanced with Series 2015 bonds with a par value of $14,665,000. The proceeds from the new bonds were used to pay off the Series 2008 bonds for the Takoma Park/Silver Spring Parking Garage and to fund the yet to be built Rockville Parking Garage. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by the Foundation on the notes with a total face value of $14,665,000 (payments are due May 1 and November 1). For accounting purposes, the project lease is deemed a capital lease. The title to the parking garage will transfer to the College upon completion of the lease. The College paid $1,193,119 and $1,190,581 to the Foundation during the years ended June 30, 2015 and 2014, respectively.

The land on which the parking garage is built is partially owned by the College. The Foundation has entered into a lease agreement with the College whereby the land that is owned by the College is leased to the Foundation for eighty years for a fee of $500.

c) Lease Obligations – 2011

On August 17, 2011, the Montgomery County Revenue authority (MCRA) sold its Lease Revenue bonds Series 2011A and 2011B on behalf of the Montgomery College Foundation Inc. The funds acquired for the Bonds were used to acquire the Goldenrod Building to be used in the Science and Technology Park. The Project is owned by the Foundation and leased to the College. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by the Foundation on the Bonds with a total face value of $15,870,000 (payments are due May 1 and November 1). The College paid $1,047,388 and $1,046,451 during the years ended June 30, 2015 and 2014, respectively.

Future payments to be paid by the College under the 2005, 2008 and 2011 lease obligations are as follows:

	2011	2014	2015	Total
2016	$ 1,028,923	$ 1,947,206	$ 1,085,723	$ 4,061,852
2017	1,029,923	1,950,206	1,086,275	4,066,404
2018	1,029,572	1,946,406	1,082,375	4,058,353
2019	1,030,472	1,946,006	1,085,275	4,061,753
2020	1,031,073	1,943,806	1,079,675	4,054,554
2021-2024	5,147,697	9,727,982	5,414,125	20,289,804
2026-2030	5,155,465	9,735,182	5,414,809	20,305,456
2031-2035	5,153,787	-	4,330,491	9,484,278
2036-2038	1,030,838	-	-	1,030,838
	21,637,750	29,196,794	20,578,748	71,413,292
Imputed interest	(7,517,750)	(7,706,794)	(5,913,748)	(21,138,292)
Total	$ 14,120,000	$ 21,490,000	$ 14,665,000	$ 50,275,000

NOTE 7 LONG-TERM LIABILITIES (MC) (CONTINUED)

d) Copier Leases

The College has entered into several copier leases which expire in 2016. At June 30, 2015, payments for the contract agreements and purchase agreements are as follows:

2016	$ 33,224

e) Compensated Absences

Employees of the College earned $8,394,517 and $7,675,927 in annual and sick leave subject to termination pay-off at June 30, 2015 and 2014, respectively. In accordance with GASB No. 16, entitled *Accounting for Compensated Absences*, related FICA and Medicare costs have been calculated on the amount due at termination in the amount of $642,181 and $587,208 for fiscal years 2015 and 2014, respectively. This amount has been included in the total compensated absences liability of $9,036,698 and $8,263,135 for fiscal years 2015 and 2014, respectively.

For the years ended June 30, 2015 and 2014, the total annual leave and sick leave earned was recognized as an expense.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF)

a) Notes Payable – 2005

In October 2005, the Authority issued “Montgomery County Revenue Authority Lease Revenue Bonds (King Street Art Center Project) Series 2005 A” (the 2005 Bonds), with a total face value of $33,000,000. The Authority and the Foundation entered into a loan agreement, evidenced by a promissory note, (the 2005 Note), to effectively transfer all rights and obligations of the bond issue to the Foundation. Principal and interest payments required by the 2005 Note are scheduled to coincide with the scheduled payments due on the 2005 Bonds. The proceeds of the 2005 Bonds were used 1) for developing and constructing a multi-purpose educational building designated as the Morris and Gwendolyn Cafritz Foundation Art Center (the Art Center), 2) to fund a Debt Service Reserve Fund, 3) to fund a Capitalized Interest Fund, and 4) to pay a portion of the issuance costs of the 2005 Bonds. The 2005 Bonds, issued in denominations of $5,000, are dated October 20, 2005, and have annual serial maturity dates from May 1, 2008 through May 1, 2030. Stated interest rates vary with the maturity date of each group of bonds. The 2005 Bonds were issued at a net premium totaling $493,620.

The College and the Foundation entered into a lease agreement, as described in the related party transactions note, providing for semi-annual payments to the Foundation that are at least equal to the contractually scheduled debt service payments on the 2005 Note. This lease agreement was pledged as security for the 2005 Note.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

a) Notes Payable – 2005 (Continued)

The bonds maturing prior to May 1, 2016 are not subject to redemption prior to their maturities. The Bonds maturing on or after May 1, 2016 are subject to optional redemption in whole or in part, on any date on or after May 1, 2015, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

Interest is due semi-annually, each May 1 and November 1. Proceeds from the 2005 Bonds were used to pay interest through October 2007. Interest paid through the completion of the construction of the Art Center was capitalized as part of the construction in progress. Interest incurred and expensed was $1,006,630 and $1,247,251 for the years ended June 30, 2015 and 2014, respectively.

In November 2014, the Authority issued general obligation refunding bonds, Series 2014 (new debt) in the principal amount of $22,570,000. Proceeds from the issue, along with proceeds from the liquidated debt service reserve fund, were deposited to an irrevocable escrow account with a third party trustee to effect an in substance defeasance of $26,140,000 in existing series 2005 general obligation bonds (old debt). Debt service requirements for the old debt totals $34,664,120; debt service for the new debt will be $30,695,117, resulting in a cash flow savings of $3,969,003 and a net present value savings of $3,578,121. The old debt has all been called as of June 30, 2015 and new debt is scheduled to mature in 2030. This refunding has reflected a loss on the Statement of Activities in the amount of $3,496,360 for the year ended June 30, 2015.

b) Notes Payable – 2008

In November 2008, the Authority issued "Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds Series 2008A" (the 2008 Bonds), with a total face value of $16,825,000. The Authority and the Foundation entered into a loan agreement, evidenced by a promissory note, (the 2008 Note), to effectively transfer all rights and obligations of the bond issue to the Foundation. Principal and interest payments required by the 2008 Note are scheduled to coincide with the scheduled payments due on the 2008 Bonds. The proceeds of the 2008 Bonds were used 1) for developing and constructing a parking garage structure designated as the Takoma Park/Silver Spring Parking Garage project (the Parking Garage), 2) to fund a Debt Service Reserve Fund, 3) to fund a Capitalized Interest Fund, and 4) to pay a portion of the issuance costs of the 2008 Bonds. The 2008 Bonds, issued in denominations of $5,000, and dated November 20, 2008, have annual serial maturity dates from November 1, 2010 through November 1, 2033. Stated interest rates vary with the maturity date of each group of bonds. The 2008 Bonds were issued at a net discount totaling $129,494.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

b) Notes Payable – 2008 (Continued)

The College and the Foundation entered into a lease agreement, as described in the related party transactions note, providing for semi-annual payments to the Foundation that are at least equal to the contractually scheduled debt service payments on the 2008 Note. This lease agreement was pledged as security for the 2008 Note.

The bonds maturing prior to November 1, 2018 are not subject to redemption prior to their maturities. The Bonds maturing on or after November 1, 2019 are subject to optional redemption in whole or in part, on any date on or after November 1, 2018, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

Interest is due semi-annually, each May 1 and November 1. Proceeds from the 2008 Bonds were used to pay interest through October 2009. Interest paid through the completion of the construction of the parking garage was capitalized as part of the construction in progress. Interest incurred and expensed during the years ended June 30, 2015 and 2014 was $596,849 and $734,259, respectively.

In June 2015, the Authority issued general obligation refunding bonds, Series 2015A (new debt), in the principal amount of $28,325,000. Part of the proceeds from the issue, along with proceeds from the liquidated debt service reserve fund, were deposited to an irrevocable escrow account with a third party trustee to effect an in substance defeasance of $14,615,000 in existing series 2008A general obligation bonds (old debt), and with the remaining part of the proceeds the Authority and the Foundation entered into a new loan agreement, evidenced by a promissory note, (the 2015 Note), to effectively transfer all rights and obligations of the bond issue to the Foundation. Principal and interest payments required by the 2015 Note (New Money) are scheduled to coincide with the scheduled payments due on the 2015 (New Money) Bonds. The proceeds of the 2015 (New Money) Bonds will be used 1) for developing and constructing a parking garage structure designated as the Rockville Campus Parking Garage project 2) to fund a Capitalized Interest Fund, and 3) to pay a portion of the issuance costs of the 2015 Bonds. Debt service requirements for the old 2008A debt totals $21,471,782; debt service for the new debt will be $20,578,748, resulting in a cash flow savings of $893,034 and a net present value savings of $890,233. The old debt is scheduled to mature in 2018 and new debt is scheduled to mature in 2034. This refunding has reflected a loss on the Statement of Activities in the amount of $1,073,258 for the year ended June 30, 2015.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

c) Notes Payable – 2011

In August 2011, the Authority issued "Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Project) Series 2011A and Series 2011B bonds (the 2011 Bonds) with a total face value of $15,870,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all obligations of the 2011 Bonds issue to the Foundation. The proceeds of the 2011 Bonds were used 1) for the purchase of the Goldenrod Building (a 68,826 gross square foot office building located on 4.62 acres located adjacent to the Germantown Campus of the College), 2) to pay real estate closing costs associated with the building purchase, and 3) to pay issuance costs of the 2011 Bonds. The 2011 Bonds have annual maturity dates from May 1, 2012 to May 1, 2036 and were issued at a premium of $257,814.

The College entered into a lease agreement with the Foundation, beginning on September 1, 2011, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2011 Bonds. This lease agreement was pledged as security for the 2011 Bonds.

The Series 2011A Bonds are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing on or after May 1, 2022 are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing by their terms prior to May 1, 2022 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2015 and 2014 was $590,723 and $595,073 respectively.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

d) Notes Payable – 2014

In November 2014, the Authority issued "Montgomery County Revenue Authority Lease Revenue Refunding Bonds (Montgomery College Arts Center Project) Series 2014", with a total face value of $22,570,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2014 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Arts Center Project), Series 2005A; and 2) pay issuance costs of the 2014 Bonds.

The 2014 Bonds have annual maturity dates from May 1, 2015 to May 1, 2030 and were issued at a premium of $2,195,089.

The College entered into a lease agreement with the Foundation in October 2005, amended November 2014, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2014 Bonds. This lease agreement was pledged as security for the 2014 Bonds.

The Series 2014 Bonds maturing on or after May 1, 2025 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing May 1, 2024, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The 2014 Bonds maturing by their terms prior to May 1, 2025 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2015 and 2014 was $567,857 and $0 respectively.

e) Notes Payable – 2015

In June 2015, the Authority issued "Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2015A", with a total face value of $28,325,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2015 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2008A; 2) finance the cost of the acquisition, construction and equipping of a parking garage on the Rockville Campus; 3) pay a portion of the interest on the 2015 Bonds estimated to accrue until November 1, 2015 to November 1, 2042 and were issued at a premium of $1,341,104.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

e) Notes Payable – 2015 (Continued)

The College entered into a lease agreement with the Foundation in November 2008, amended June 2015, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2015 Bonds. This lease agreement was pledged as security for the 2015 Bonds.

The Series 2015 Bonds maturing on or after November 1, 2026 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing November 1, 2025, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The 2015 Bonds maturing by their terms prior to November 1, 2026 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2015 and 2014 was $59,791 and $0 respectively.

Maturity dates and stated interest rates of the Bonds outstanding as of June 30, 2015 are as follows:

	2011 Bonds			2014 Bonds		2015 Bonds		
Maturity Date, November 1	Principal Amount Series A	Principal Amount Series B	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Total Principal Amount
2016	$ -	$ 450,000	2.00%	$ 1,050,000	3.00%	$ 620,000	1.00%	$ 2,120,000
2017	-	460,000	2.25%	1,095,000	0.00%	550,000	2.00%	2,105,000
2018	-	470,000	3.00%	1,135,000	0.00%	860,000	3.00%	2,465,000
2019	-	485,000	4.00%	1,180,000	0.00%	890,000	3.00%	2,555,000
2020	-	505,000	4.00%	1,225,000	0.00%	915,000	4.00%	2,645,000
Thereafter	6,840,000	4,910,000	Varies from 4% to 5%	15,805,000	Varies from 3.125% to 5%	24,490,000	Varies from 3.125% to 5%	52,045,000
	$ 6,840,000	$ 7,280,000		$ 21,490,000		$ 28,325,000		$ 63,935,000

NOTE 9 UNEARNED REVENUE (MC)

In 2012, the Montgomery College Life Sciences Park Foundation Inc. (LSF) received land lease rental income in the amount of $6.3 million for the Montgomery College – Germantown Campus, located at 20200 Observation Drive, Germantown, Maryland 20816. The revenue will be amortized over the life of the land lease. The initial payment was included in unearned revenue in the Statements of Net Position and the balance as of June 30, 2015 and 2014 is $6,065,887 and $6,129,349, respectively.

NOTE 10 EXPENSES BY NATURAL CLASSIFICATIONS (MC)

The following table shows a classification of expenses for the years ending June 30, 2015 and 2014; both by function as listed in the Statement of Revenue, Expenses and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and Wages	Fringe Benefits	Contracted Services	Supplies	Scholarships	Utilities	Depreciation	Other	Total
June 30, 2015									
Instruction	$ 78,264,953	$ 10,990,213	$ 2,447,030	$ 2,689,172	$ -	$ -	$ -	$ 351,270	$ 94,742,638
Research	111,055	4,490	-	-	-	-	-	3,041	118,586
Academic support	30,745,282	5,437,825	4,032,089	2,945,472	-	-	-	302,670	43,463,338
Student services	24,183,434	4,036,903	1,967,064	909,315	-	-	-	896,525	31,993,241
Operation of plant	14,540,202	4,898,001	6,377,622	1,863,215	-	7,430,439	-	37,438	35,146,917
Institutional support	28,759,596	9,279,530	12,748,548	493,785	-	-	-	2,947,171	54,228,630
Scholarships and related expenses	-	-	-	-	5,959,091	-	-	31,138	5,990,229
Depreciation	-	-	-	-	-	-	17,743,698	-	17,743,698
Auxiliary enterprises	3,263,032	969,642	1,899,475	89,057	-	-	-	7,296,042	13,517,248
State paid benefits	-	13,753,679	-	-	-	-	-	-	13,753,679
Other	-	-	-	-	-	-	-	13,123,644	13,123,644
Total	$ 179,867,554	$ 49,370,283	$ 29,471,828	$ 8,990,016	$ 5,959,091	$ 7,430,439	$ 17,743,698	$ 24,988,939	$ 323,821,848
June 30, 2014									
Instruction	$ 74,172,908	$ 10,180,875	$ 1,808,202	$ 2,273,387	$ -	$ -	$ -	$ 183,629	$ 88,619,001
Research	77,141	3,932	-	-	-	-	-	-	81,073
Academic support	29,350,347	5,010,698	3,303,590	3,009,094	-	-	-	355,570	41,029,299
Student services	22,862,524	3,746,651	1,586,906	845,016	-	-	-	755,115	29,796,212
Operation of plant	13,553,336	3,715,999	8,777,168	1,899,862	-	6,808,938	-	32,952	34,788,255
Institutional support	26,936,072	12,159,354	11,458,408	928,431	-	-	-	3,679,894	55,162,159
Scholarships and related expenses	-	-	-	-	4,951,174	-	-	22,071	4,973,245
Depreciation	-	-	-	-	-	-	15,841,375	-	15,841,375
Auxiliary enterprises	3,094,757	934,515	266,724	133,325	-	-	-	8,847,368	13,276,689
State paid benefits	-	13,190,914	-	-	-	-	-	-	13,190,914
Other	-	-	-	-	-	-	-	11,759,682	11,759,682
Total	$ 170,047,085	$ 48,942,938	$ 27,200,998	$ 9,089,115	$ 4,951,174	$ 6,808,938	$ 15,841,375	$ 25,636,281	$ 308,517,904

NOTE 11 RETIREMENT PLANS (MC)

The College participates in both statewide retirement plans and the College’s own plan. The four statewide retirement plans are the Teachers' Retirement System and the Employees' Retirement System (the Retirement System), the Teachers' Pension System and the Employees' Pension System (the Pension System), administered by the Maryland State Retirement System (MSRS), a cost-sharing multiple-employer retirement system, and the Maryland State Optional Retirement Plan (ORP). Aetna, the College's own plan, serves as a supplement to the MSRS plans. Certain employees may elect to participate in the ORP instead of the Pension System. The State has approved four providers for the ORP which include the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), AIG, VALIC, and Fidelity. An employee can participate in only one plan at a time and has the opportunity to change providers during one open enrollment period a year.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

As noted in Note 1, the College adopted GASB Statement No. 68, *Acounting and Financial Reporting for Pension* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As such, the College will present Retirement Plans in accordance with GASB Statement Nos. 68 and 71 for the fisal year ended June 30, 2015 and GASB Statement No. 27 for the fisal year ended June 30, 2014.

The College's total current payroll for the fiscal years ended June 30, 2015 and 2014 for all employees (excluding $269,358 and $188,533 from Agency Funds for the years ended June 30, 2015 and 2014, respectively) was $179,867,554 and $170,047,086, respectively. The approximate current covered payroll under each of the plans, which includes employees eligible under multiple plans, is as follows:

	2015		2014	
	Covered Payroll	Percent of Total Covered Payroll	Covered Payroll	Percent of Total Covered Payroll
MSRS	$ 79,469,063	56.22%	$ 75,548,085	57.30%
Optional retirement plan	60,750,342	42.97%	55,162,713	41.83%
Aetna	1,138,591	0.81%	1,146,670	0.87%
	$141,357,996	100.00%	$131,857,468	100.00%

a) Statewide Retirement Plans

The State systems were established in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Responsibility for the administration and operation of the systems is vested in a 15-member Board of Trustees (the Trustees). The Trustees also have the authority to establish and amend the respective benefit provisions. The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to system members and beneficiaries.

The following is a general description of the plan benefits available to the participants of each of the above named plans.

The Retirement System - MSRS

Participants in the Retirement System may retire with full benefits after attaining the age of 60, or completion of 30 years of creditable service regardless of age. However, participants may retire with reduced benefits after completing 25 years of creditable service regardless of age.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The Pension System - MSRS

Participants in the Pension System hired prior to 7/1/11 may retire with full benefits (a) after completing 30 years of creditable service regardless of age, or (b) at age 62 or older with specified years of eligibility service. Participants may retire early with reduced benefits after attaining age 55 and completing 15 years of eligibility service. Employees hired on or after 7/1/11 may retire with full benefits after (a) completing 10 years of eligibility service at age 65 or (b) using the "Rule of 90" defined as at least 90 years of combined age and years of eligibility service. These participants may retire early with reduced benefits after attaining age 60 and at least 15 years of service.

The MSRS Optional Retirement Plan (ORP)

The ORP is a defined contribution "money purchase" plan under which the benefit is determined by the accumulated State contributions plus accrued investment earnings. Contributions are made to one of four providers approved by the State. Participants may receive their annuity income at any time after leaving the College.

Benefits under all systems, except the ORP, vest after five years of service and are based on years of creditable service and salary rates.

The "unfunded actuarial accrued liability" is the result of applying the actuarial funding method to the present value of pension benefits, adjusted to the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The actuarial funding method is intended to help users assess the Systems' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The MSRS does not make separate measurements of assets and liabilities for individual employers.

Statewide Retirement Plans presented for the year ended June 30, 2015 in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

Plan description - The employees of the College are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the College are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at http://www.sra.state.md.us.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Benefits provided - The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retirees' benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Techers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Contribution - The College and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employees are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the College's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the College. The State's contributions on behalf of the College for the year ended June 30, 2015, was $9,335,566. The fiscal 2015 contributions made by the State on behalf of the College have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The College's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2015, was 6.72% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The College made its share of the required contributions during the year ended June 30, 2015 of $1,415,565.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Employees Retirement and Pension Systems

At June 30, 2015, the College reported a liability of $10,359,173 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the College's proportionate share was 0.0584%.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

For the year ended June 30, 2015, the College recognized pension expense of $927,318. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 149,853	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Invesments	-	1,133,879
Net difference between actual and proportionate share of contributions	278,650	-
College Contributions Subsequent to the Measurement Date	1,415,565	-
Total	$ 1,844,068	$ 1,133,879

$1,415,565 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	(176,344)
2017	(176,344)
2018	(176,344)
2019	(176,344)
2020	-
Thereafter	-

<u>Teachers Retirement and Pension Systems</u>

At June 30, 2015, the College did not report a liability related to the Teachers’ Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the College and the College pays the normal cost related to the Colleges members in the Teachers Retirement and Pension Systems; therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

State's proportionate share of the net pension liability	$ 69,065,207
College's proportionate share of the net pension liability	-
Total	$ 69,065,207

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2015, the College recognized pension expense of $9,335,566 and revenue of $9,335,566 for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation
Investment rate of return	7.65%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2006-2010, which was completed during FY 2011. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2012. The System's Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the College after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate The single discount rate used to measure the total pension liability was 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability - Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's net pension liability, calculated using a single discount rate of 7.65%, as well as what the College's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

	1% Decrease	Current Discount Rate	1% Increase
College's proportionate share of the net pension liability	$ 14,928,851	$ 10,359,173	$ 6,531,473

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not record a net pension liability related to the Teachers Retirement and Pension Systems.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Pension plan fiduciary net positon - Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

Statewide Retirement Plans presented for the year ended June 30, 2014 in accordance with GASB Statement No. 27.

Listed below is information about the employees' benefit retirement and pension plans of the MSRS, as a whole, as of June 30, 2013, the latest date such information is available.

	MSRS
Actuarial accrued liability	$ 60,060,091,000
Actuarial value of assets (at fair market value)	(39,350,969,000)
Unfunded actuarial accrued liability (assets in excess of obligations)	$ 20,709,122,000

Additional information about the MSRS is presented in the State of Maryland's June 30, 2014 Comprehensive Annual Financial Report and in the 2014 Consolidated Annual Report of the Maryland State Retirement and Pension System. That report may be obtained by writing to the State Retirement Agency of Maryland, 301 W. Preston Street, Baltimore Maryland, 21201.

In accordance with GASB No. 24, entitled Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, the College recognized expenditures for the various State retirement and pension plans made on behalf of its employees by the State to the extent revenue is recognized. The amount recognized includes amounts contributed by the State and amortization of past service costs over forty years for the year ended June 30, 2014 is as follows:

	State	College	Total
MSRS	$ 9,069,099	$ 1,979,364	$ 11,048,463
MSRS-ORP	4,121,815	-	4,121,815
Total	$ 13,190,914	$ 1,979,364	$ 15,170,278

b) The College's Defined Benefit Pension Plan (Aetna)

The College has a single employer, defined benefit pension plan with Aetna. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement and pension plans. Full-time employees, who have been employed by the College prior to 1980 and contribute to an MSRS plan, are eligible to participate in this plan established under the authority of the College's Board of Trustees.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Plan Description - The Aetna plan is a single employer, defined benefit pension plan. Full-time employees who were employed by the College prior to 1980 and contribute to an MSRS plan are eligible to participate in this plan established under the authority of the College's Board of Trustees. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement plans. The Aetna Retirement Plan issues a separate actuarial report that contains the results of the valuation of the College Retirement Plan as of July 1, 2014. That report may be obtained by writing to the Montgomery College Benefits Office, 900 Hungerford Drive, Rockville Maryland, 20850.

Funding Policy - Plan members are required to contribute 7% of their earnable compensation. Contributions to this plan are offset by contributions to the Maryland Teachers' Retirement System or the Maryland State Retirement System. Contributions for year 2013 are based on the plan as amended most recently as of January 1, 1980. Interest on employee contributions is credited at a rate of 6% per year.

Actuarial Cost Method and Valuation of Assets – The Entry Age Normal Actuarial Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability in accordance with generally accepted actuarial principles. Plan assets are listed at fair value as determined by the Aetna Insurance Company. The Actuarial Accrued Liability is based on a prorated portion of the present value of benefits earned to date and expected to be earned in the future.

Benefits this sytem vest after five years of service and are based on years of creditable service and salary rates.

Aetna Pension Plan Presented for the year ended June 30, 2015 in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment pf GASB Statement No. 27.

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	258
Inactive Employees Entitled to but not yet Receiving Benefits	16
Active Employees	10
Total	284

Net Pension Liability

The College's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Net Pension Liability (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increaes	4.50%
Investment Rate of Return	4.00%

Mortality rates were based on the RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Corporate Industrial	46.00%
Corporate Foreign	8.00%
Corporate Utilities	12.00%
Commercial Mortgage Backed	5.00%
Government	8.00%
Asset Backed	1.00%
Agency Mortgage Backed	2.00%
Corporate Financial	18.00%
Total	100.00%

Discount rate. The discount rate used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that College contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Asset**
Balance at 6/30/2014	$ 12,333,379	$ 14,234,167	$ (1,900,788)
Changes for the Year			
Service Cost	33,166	-	33,166
Interest Cost	595,824	-	595,824
Assumption Changes	1,064,568	-	1,064,568
Difference Between Expected and Actual Experience	(213,308)	214,655	(427,963)
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	686,502	(686,502)
Benefit Payments, Including Refunds of Employee Contributions	(900,122)	(900,122)	-
Other Changes	-	(108,143)	108,143
Net Changes	580,128	(107,108)	687,236
Balance at 6/30/2015	$ 12,913,507	$ 14,127,059	$ (1,213,552)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the College, calculated using the discount rate of 4.00%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	$ 14,144,200	$ 12,913,507	$ 11,853,493
Plan Fiduciary Net Position	14,127,059	14,127,059	14,127,059
Net Pension Liability	$ 17,141	$ (1,213,552)	$ (2,273,566)

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the College recognized pension expense of $158,356. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Invesments	-	(171,724)
Total	$ -	$ (171,724)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	$ 42,931
2017	42,931
2018	42,931
2019	42,931
2020	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2015 the College reported a payable of $22,450 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Listed below is information about the employees' benefit retirement and pension plans of the Aetna Plan as of July 1, 2014.

	Aetna
Actuarial accrued liability	$ 12,913,507
Actuarial value of assets (at fair market value)	(12,583,529)
Unfunded actuarial accrued liability (assets in excess of obligations)	$ 329,978

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Schedule of Funding Progress and Employer Contributions

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Required Employer Contributions
6-30-14	12,583,529	12,913,507	329,978	97.4%	1,065,000	31.0%	-
6-30-15	12,936,164	14,062,830	1,126,666	92.0%	1,065,000	105.8%	-

The actuarial valuation for the fiscal year ended June 30, 2015 includes these significant assumptions:

1) Investment return: 4.0% compounded annually
2) Salary increases: 5.5% compounded annually
3) Retirement age: Ages varying from 57 years to 70 and over
4) Turnover: Rates varying from no turnover to 9%
5) Mortality: The RP-2000 Mortality Table for healthy males and females
6) Discount rate: 4.0%

The actuarial assumptions are chosen by the actuary after a study of both current financial conditions and the population covered by the plan as to salary increases, number of terminations annually, etc. These assumptions are reviewed periodically, and if appropriate, changes are made.

Population covered by the Plan	Number of Persons	Compensation (if applicable)
Participants:		
Currently receiving payments	257	N/A
Active with vested benefits	10	$ 1,065,000
Terminated with deferred vested benefits	16	N/A
Active without vested benefits	-	$ -
Inactive electing bifurcated benefits	1	N/A
	284	

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Aetna Pension Plan Presented for the year ended June 30, 2014 in accordance with GASB Statement No. 27 (Continued).

The net pension obligation as of June 30, 2014 is as follows:

	2014
Annual Required Contribution (ARC)	$ (526,306)
Interest on net pension obligation	(185,761)
Amortization of net pension obligation	817,261
Annual Pension Cost (APC)	105,194
Less contributions made	-
Increase in net pension obligation	105,194
Net pension obligation - beginning of year	(3,715,227)
Net pension obligation - end of year	$ (3,610,033)

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC)

The College has implemented the guidance found in GASB Statements No. 43*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The College provides postemployment health care, dental and life insurance benefits for retired employees through a defined benefit plan. The plan is accounted for as a trust fund and an irrevocable trust was established on June 16, 2008 to account for the plan. In October, 2013, the Board of Trustees resolved to combine the Montgomery College OPEB Trust Fund with the Montgomery County OPEB Trust Fund. Total assets in excess of $30M were transferred over to the County trust fund over a period of months, with the last transfer occurring early in 2014.

The contribution requirements of the College are established and may be amended by the Board of Trustees. The College currently pays 40% of health care premiums for employees who meet certain eligibility criteria and who retire with 5 but less than 10 years of service, 60% of premiums for those that retire after 10 years of service, and 20% for certain retirees prior to 1978. The College contributes 80% of the cost of retiree life insurance. The remaining costs of these benefits are borne by the participants.

In order to be considered "eligible", the retiree must have been enrolled in the College's or another employer's group insurance program for 5 years prior to retirement and commence receipt of pension/annuity benefits from an MSRS or ORP plan immediately upon termination from the College. ORP annuitants must meet the same age and service retirement eligibility criteria as MSRS participants. The College's authority to contribute to other post-employment benefit provisions and obligations is established by the Board of Trustees. For the fiscal years ended June 30, 2015 and 2014, the College contributed $5,708,028 and $3,808,282, respectively, and the retirees contributed $2,133,444 and $1,750,110, respectively, in premiums.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Membership

As of June 30 membership consisted of:

	2015	2014
Retirees and beneficiaries currently receiving benefits	638	514
Active employees - vested	1,896	1,812
Total	2,534	2,326

The College had actuarial valuations performed for the plan as of June 30, 2015 and 2014 to determine the employer's annual required contribution (ARC) for the fiscal years ended June 30, 2015 and June 30, 2014, respectively. The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and 2014 were as follows:

	2015	2014
Annual OPEB cost	$ 4,238,678	$ 6,955,454
Employer contribution	(5,708,028)	(3,808,282)
Net OPEB obligation	$ (1,469,350)	$ 3,147,172
% of annual OPEB cost contributed	134.67%	54.75%

The net OPEB obligations as of June 30, 2015 and 2014 are recorded in OPEB asset value on the Statement of Net Position and were calculated as follows:

	2015	2014
Annual Required Contribution (ARC)	$ 4,327,640	$ 7,083,312
Interest on net OPEB obligation	(242,153)	(430,372)
Adjustment on ARC	153,191	302,514
Annual OPEB cost	4,238,678	6,955,454
Less contributions made	5,708,028	3,808,282
Increase (decrease) in net OPEB obligation	(1,469,350)	3,147,172
Net OPEB asset - beginning of year	(3,228,708)	(6,375,880)
Net OPEB asset - end of year	$ (4,698,058)	$ (3,228,708)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions as to current claims cost, projected increases in health care costs, morbidity, turnover, and interest discount. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In June 30, 2015 and 2014, the projected unit credit actuarial cost method was used. The actuarial assumptions were as follows:

	2015	2014
Investment rate of return (net of administrative expenses)	7.50%	7.50%
Annual healthcare cost trend rate- pre-65 retirees	7.50%	8.00%
Annual healthcare cost trend rate- post-65 retirees	6.50%	7.00%

The annual healthcare cost trend rate assumes grading down to 5.0% for fiscal year ending June 30, 2021 for pre-65 retirees and June 30, 2019 for post-65 retirees. The actuarial value of assets was determined by using the market value of the assets. The plan's unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll assumed to grow 4% per year. The remaining amortization period as of June 30, 2015 was 23 years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6-30-14	39,204,705	70,142,660	30,937,955	55.89%	129,806,810	23.83%
6-30-15	42,802,968	79,988,358	37,185,390	53.51%	134,999,082	27.54%

NOTE 13 STATE AND COUNTY EXPENDITURES (MC)

The County issues general obligation bonds, the proceeds from which are transferred to the College for the purpose of financing acquisition of land, buildings, and equipment. For the years ended June 30, 2015 and 2014, the County made principal payments of $10,282,375 and, $8,789,006, respectively, and interest payments of $7,763,010 and $6,600,038, respectively, on these bonds. In addition to the County expenditures, the State of Maryland pays the employer's portion of pension contributions on the salary for certain College employees eligible to belong to the State pension and retirement systems. For the years ended June 30, 2015 and 2014, the State expended $9,335,566 and $9,069,099, respectively, for the pension and retirement contributions. This appropriation by the State has been recorded as a non-operating revenue item and the expenditure is listed as an operating expense.

NOTE 13 STATE AND COUNTY EXPENDITURES (MC) (CONTINUED)

The State of Maryland also reimburses the College for the employer's share of contributions to the ORP for eligible employees. The total amount reimbursed for the years ended June 30, 2015 and 2014 was $4,418,113 and $4,121,815, respectively. This appropriation by the State has been recorded as a non-operating revenue item and the expenditure is listed as an operating expense.

The Capital Improvements Program (CIP) for the College is approved biannually by the County. The approval of some projects includes funding from other governmental agencies. All funds transferred to the College for CIP expenditures come directly from the County, with governmental reimbursements made directly by those organizations back to the County for their share of project costs. The amount listed under the Current asset designation as CIP receivable as of June 30 is due to the following organizational participation in CIP expenditures:

	2015	2014
Montgomery County	$ 9,717,962	$ 10,108,789
State of Maryland	-	87,127
Total	$ 9,717,962	$ 10,195,916

NOTE 14 TUITION WAIVER (MC)

The College waives tuition charges for its programs for any resident of Maryland who is 60 years old or older, when course space is still available, and only during the three days following the end of regular registration. Additionally, the College has a 50% waiver of tuition for eligible Maryland National Guard members and up to 100% for eligible foster care students. Tuition is also waived for any resident of Maryland who is retired or disabled as defined by the Social Security or Railroad Retirement Act and who enrolls in any class at the College which is eligible under Maryland Annotated Code Section 16-403 for State support; and for eligible College employees who can enroll in credit only courses which are outside of the individual's normal working hours. During the year ended June 30, 2015, the College waived $649,331 in credit and $585,164 in non-credit tuition for senior, disabled, foster care and National Guard students. During the year ended June 30, 2014, the College waived $573,989 in credit and $622,684 in non-credit tuition for senior, disabled, foster care and National Guard students.

The College offers a tuition waiver program whereby the College waives credit tuition for dependents of eligible College employees. For FY2015, the College waived $533,846 for its employees and their dependents. The total tuition amount waived for the College for FY2015 is $1,768,941. For FY2014, the College waived $448,233 for its employees and their dependents. The total tuition amount waived for the College for FY2014 was $1,644,659.

NOTE 15 INCOME TAX STATUS (MC, LSF & MCF)

The College is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code, except as to unrelated business income. No provision for income taxes has been accrued since the College anticipates no tax liability for the years ended June 30, 2015 and 2014.

The Foundation and LSF are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state statutes, except as to unrelated business income. The Foundation and LSD had no unrelated business income for the years ended June 30, 2015 and 2014. Returns for the fiscal years 2012, 2013 and 2014 remain subject to examination by federal and state tax jurisdictions.

The Foundation and LSF follow accounting guidance related to Accounting for Uncertainty in Income Taxes*,* which provides guidance on recognition, classification and disclosure concerning uncertain tax liabilities. The evaluation of a tax position requires disclosure of a tax liability if it is more-likely-than-not that it will not be sustained upon examination by the Internal Revenue Service. Management has analyzed the Foundation and LSF's tax positions, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements.

NOTE 16 RISK MANAGEMENT – SELF-INSURANCE (MC)

The College, as a component unit of the County, participates in the County's self-insurance risk pool for liability and property coverage and maintains its own self-insurance pool for health and dental benefits. The College and the County account for risk financing activities in accordance with GASB No. 10, entitled *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.*

The Montgomery County Self-Insurance Program is maintained for liability and property coverage under which participants share workers' compensation, comprehensive general, automobile and professional liability, fire and theft, and other selected areas which require coverage. There have been no significant reductions in this insurance coverage from the previous year. Commercial coverage is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. Settled claims have not exceeded commercial coverage in fiscal years 2015 and 2014. Other program participants are qualifying County government agencies. An inter-agency insurance panel is responsible for overseeing the program. This program offers overall risk management and cost sharing for all participants. In the event that the program's trust or escrow funds fall into a deficit, the program panel shall determine a method to fund the deficit. The program can assess additional premiums to each deficit-year participant.

Premiums are charged to the appropriate College fund with no provision made for any additional liability in addition to premiums, unless assessed by the program. As of June 30, 2015, there was no deficit in the trust or escrow funds and no additional assessments have been made.

NOTE 16 RISK MANAGEMENT – SELF-INSURANCE (MC) (CONTINUED)

The College is self-insured for health and dental benefits provided to its employees. To protect itself against significant losses, the College has stop-loss policies in place for individual participant claims in excess of $150,000 per year and aggregate annual participant claims in excess of 125% of premium. The College has a contract with an administrative service provider to process participant claims under these programs. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balance of claims payable relative to the health and dental self-insurance fund for the years ended June 30, 2015 and 2014 are as follows. Claims liabilities are included in accounts payable and accrued expenses on the Statements of Net Position.

Balance - June 30, 2013	$	1,077,000
Claims and changes in estimates		15,084,268
Claims payments		(15,100,268)
Balance - June 30, 2014		1,061,000
Claims and changes in estimates		16,357,910
Claims payments		(16,259,910)
Balance - June 30, 2015	$	1,159,000

NOTE 17 COMMITMENTS AND CONTINGENCIES (MC and MCF)

Commitments and Contingencies (MC)

The College is obligated under several non-cancelable operating leases for office space expiring in various years through 2022. Net rent expense under these operating leases, included in contracted services expenses, was $3,372,920 and $3,551,526 for the years ended June 30, 2015 and 2014, respectively. The projected minimum lease payments under the terms of the leases at June 30, 2015 are as follows:

2016	$	3,323,884
2017		2,254,551
2048		1,065,550
2019		418,206
2020		430,753
2021-2022		443,675
Total	$	7,936,619

NOTE 17 COMMITMENTS AND CONTINGENCIES (MC and MCF) (CONTINUED)

Commitments and Contingencies (MC) (Continued)

The College has entered into several multi-purpose contracts that improve and support the operational and infrastructure functionality of the College expiring in 2020. At June 30, 2015, payments for the contract agreements and purchase agreements for the next five years are as follows:

2016	$	6,496,463
2017		2,273,514
2018		1,568,827
2019		1,568,827
2020		-
Total	$	11,907,631

As of June 30, 2015 and 2014, there were uncompleted contracts amounting to $27,489,726 and $18,220,824, respectively, for construction activity at all campuses. Retainage on construction contracts is not included in this amount, but is shown in the financial statements within accounts payable.

The College is currently the defendant in two tort suits. It is the opinion of the College's management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the College's financial position.

NOTE 18 FAIR VALUE (MCF)

The accounting guidance establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following describes the three levels of the fair value hierarchy:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active that the Foundation has the ability to access at the measurement date.

Level 2
Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than observable quoted prices for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset of liability.

NOTE 18 FAIR VALUE (MCF) (CONTINUED)

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities and mutual funds are valued at fair value based on quoted market prices at year-end. The fair values of money market funds approximates cost. The Foundation currently has no Level 3 assets.

As of June 30, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

2015	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds, by type				
Blend	$ 3,403,489	$ -	$ -	$ 3,403,489
Bond	2,120,937	-	-	2,120,937
Convertible	154,666	-	-	154,666
Currency	203,414	-	-	203,414
Emerging	980,842	-	-	980,842
Equity	4,054,321	-	-	4,054,321
Growth	5,418,772	-	-	5,418,772
International	1,224,072	-	-	1,224,072
Natural Resources	556,272	-	-	556,272
Preferred Stock	105,362	-	-	105,362
Real Estate	2,392,585	-	-	2,392,585
Value	3,588,874	-	-	3,588,874
Total	$ 24,203,606	$ -	$ -	$ 24,203,606

2014	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds, by type				
Bond	$ 5,076,385	$ -	$ -	$ 5,076,385
Blend	1,780,602	-	-	1,780,602
Convertible	151,232	-	-	151,232
Currency	225,462	-	-	225,462
Emerging	1,319,241	-	-	1,319,241
Equity	2,595,181	-	-	2,595,181
Growth	3,836,392	-	-	3,836,392
International	1,879,731	-	-	1,879,731
Natural Resources	410,110	-	-	410,110
Real Estate	1,211,079	-	-	1,211,079
Value	5,726,415	-	-	5,726,415
Total	$ 24,211,830	$ -	$ -	$ 24,211,830

NOTE 18 FAIR VALUE (MCF) (CONTINUED)

Liabilities at Fair Value

Notes payable – Notes are carried at book value of $63,935,000 and $55,795,000 at June 30, 2015 and 2014, respectively. The estimated fair value of notes payable is $68,130,259 and $58,792,734 as of June 30, 2015 and 2014, respectively, and is based on the estimated fair value of the outstanding bonds as affected by their current yield as well as current interest rates for other interest bearing long term debt.

Annuity obligations – the fair value of the Foundation's annuity obligations is based on the net present value of the anticipated benefit. As benefit payments are made, the liability is adjusted based on an amortization schedule.

Assets and liabilities held for charitable gift annuities are classified at June 30 as follows:

2015	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Money market funds	$ 3,184	$ -	$ -	$ 3,184
Mutual funds, by type				
Bond	58,803	-	-	58,803
Blend	29,488	-	-	29,488
Emerging	18,908	-	-	18,908
Equity	78,016	-	-	78,016
International	29,114	-	-	29,114
Growth	86,726	-	-	86,726
Real Estate	31,655	-	-	31,655
Value	27,107	-	-	27,107
Total assets, at fair value	$ 363,001	$ -	$ -	$ 363,001
Liabilities:				
Annuity obligations, at fair value	$ -	$ 1,150,537	$ -	$ 1,150,537

2014	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Money market funds	$ 2,775	$ -	$ -	$ 2,775
Mutual funds, by type				
Bond	128,596	-	-	128,596
Blend	12,380	-	-	12,380
Emerging	26,978	-	-	26,978
Equity	45,939	-	-	45,939
International	45,464	-	-	45,464
Growth	62,330	-	-	62,330
Value	91,267	-	-	91,267
Total assets, at fair value	$ 170,342	$ -	$ -	$ 170,342
Liabilities:				
Annuity obligations, at fair value	$ -	$ 1,205,200	$ -	$ 1,205,200

NOTE 19 RESTRICTED ASSETS (MCF)

Temporarily Restricted

Temporarily restricted net assets represent funds restricted by donors for scholarships, student athletics, student and faculty support, resource development and other college initiatives. Net assets released from restriction include management fees charged to the temporarily restricted earnings portion of endowment funds.

As of June 30 net assets were temporarily restricted for the following:

	2015	2014
General use programs	$ 5,713,673	$ 6,572,042
Scholarships	3,849,314	4,284,870
Student athletics	21,946	80,307
Total	$ 9,584,933	$ 10,937,219

For fiscal years ending June 30, 2015 and 2014, temporarily restricted net assets released from restriction were used for the following:

	2015	2014
General use programs	$ 1,587,385	$ 1,221,236
Scholarships	1,823,988	1,367,895
Student athletics	23,969	23,609
Total	$ 3,435,342	$ 2,612,740

Permanently Restricted

Permanently restricted net assets represent perpetual endowment funds that are required to be retained permanently by explicit donor stipulation. As of June 30, 2015 and 2014, earnings from permanently restricted net assets were restricted for the following:

	2015	2014
Scholarships	$ 12,355,825	$ 11,066,596
General use programs	7,361,074	7,193,400
Student and faculty support	25,439	24,840
Annuity funds	18,269	20,479
Total	$ 19,760,607	$ 18,305,315

NOTE 20 ENDOWMENT (MCF)

The Foundation's endowment consists of 200 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund,
2) The purposes of the Foundation and the donor-restricted endowment fund,
3) General economic conditions,
4) The possible effect of inflation and deflation,
5) The expected total return from income and the appreciation of investments,
6) Other resources of the Foundation,
7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the investment return objective is to attain an average annual total return of CPI plus 5% (nominal return net of investment management fees) over the long term (up to a rolling five-year period). The goal is to combine various asset classes to achieve diversification and at the same time balance the risk and return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through March 31 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate annual rate. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation had the following changes in the endowment net assets for the fiscal years ended June 30:

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 5,075,948	$ 17,299,657	$ 22,375,605
Contributions	-	-	823,067	823,067
Appropriations of endowment assets for expenditures	-	(995,436)	-	(995,436)
Endowment net assets after contributions and expenditures	-	4,080,512	18,122,724	22,203,236
Net investment income	-	39,326	-	39,326
Subtotal	-	4,119,838	18,122,724	22,242,562
Other changes				
Donor requested endowment of previously unendowed gift	-	-	192,000	192,000
Endowment net assets, end of year	$ -	$ 4,119,838	$ 18,314,724	$ 22,434,562

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (27)	$ 3,153,432	$ 16,316,260	$ 19,469,665
Contributions	-	-	907,684	907,684
Appropriations of endowment assets for expenditures	-	(887,190)	-	(887,190)
Endowment net assets after contributions and expenditures	(27)	2,266,242	17,223,944	19,490,159
Net investment income	27	2,809,706	-	2,809,733
Subtotal	-	5,075,948	17,223,944	22,299,892
Other changes				
Donor requested endowment of previously unendowed gift	-	-	75,712	75,712
Endowment net assets, end of year	$ -	$ 5,075,948	$ 17,299,656	$ 22,375,604

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The permanently restricted balances above do not include pledges receivables of $1,427,614 and $985,178 for the years ended June 30, 2015 and 2014, respectively. The permanently restricted balances above also do not include net assets related to annuities of $18,269 and $20,480 as of June 30, 2015 and 2014, respectively, which do not become part of endowment assets until maturity. The endowment assets are primarily comprised of the Foundation's investments as detailed in Note 2. The remaining endowment assets are comprised of cash.

The Foundation maintains a general endowment, where the donors have specified all earnings are unrestricted for general Foundation operations. Accumulated unrestricted earnings of $501 and $41,301 were transferred to the Foundation's Unrestricted Fund on June 30, 2015 and 2014, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $0 as of June 30, 2015 and 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs.

NOTE 21 PROGRAM SERVICE DESCRIPTIONS (MCF)

Scholarships

Scholarships are established by donors' contributions and endowments and are awarded to students who have met the donors' imposed restrictions.

Student Athletics

The Student Athletics program is a designated program established for use by the College's athletic department. The program reimburses the athletic department for certain expenses incurred during the year.

Student and Faculty Support

The Student and Faculty Support program distributes grants and awards to deserving individuals and academic programs. This program also includes noncash donations received which are subsequently given to the College. Non-cash donations for fiscal years 2015 and 2014 were valued at $58,602 and $41,725, respectively, and are included in Other Noncash Contributions on the Statements of Activities.

NOTE 22 BLENDED COMPONENT UNIT (MC)

The College's blended component unit, Montgomery College Life Scriances Park Foundation, Inc.'s Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2015 and 2014 and for the years then ended are as follows:

	2015	2014
Assets		
Cash and cash equivalents	$ 2,738,701	$ 4,016,213
Other receivables	3,216	1,093
Long term investments	3,033,069	2,003,328
Total Assets	$ 5,774,986	$ 6,020,634
Liabilities and Net Position		
Accounts payable and accrued liabilities	$ 9,572	$ 118,094
Unearned revenue	6,065,887	6,129,349
Unrestricted net position	(300,473)	(226,809)
Total Liabilities and Net Position	$ 5,774,986	$ 6,020,634

	2015	2014
Revenue		
Land lead income	$ 63,462	$ 63,462
Investment and interest income	40,344	10,029
Land grant - Montgomery County	16,000	-
Total Revenue	119,806	73,491
Expenses		
Contracted services	157,934	261,973
Rent	-	36,000
Utilities	-	2,147
Professional fees	4,653	4,453
Other	30,883	20,090
Total Expenses	193,470	324,663
Decrease in net position	(73,664)	(251,172)
Net position, beginning of year	(226,809)	24,363
Net position, end of year	$ (300,473)	$ (226,809)

NOTE 23 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the College adopted GASB Statement No. 68, Accounting and Financial Reporting for Pension and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This pronouncement requires the restatement of the June 30, 2014 net position of the College as shown as follows:

Net position July 1, 2014, as previously stated	$ 495,877,756
Cumulative affect of application of GASB 68, net pension liability	(9,596,727)
Cumulative affect of application of GASB 71, deferred outflow of resources for College contributions made to the plan during the fiscal year ending June 30, 2015	1,224,701
Net position July 1, 2014, as restated	$ 487,505,730

NOTE 24 SUBSEQUENT EVENTS (MC & MCF)

Management evaluated subsequent events through DATE, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to DATE that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COLLEGE
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS FOR DEFINED BENEFIT RETIREMENT PLAN
JUNE 30, 2015

The following required supplementary information is provided in accordance with GASB No. 27. The Plan has an actuarial valuation performed each year and the schedule below presents information for the past ten plan years. Please refer to Note 11 of the Notes to the Financial Statements for a more detailed description of Montgomery College's reporting of the College's Defined Benefit Pension Plan for FY2015.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Required Employer Contributions
6-30-06	$ 10,151,587	$ 10,427,914	$ 276,327	97.4%	$ 4,722,309	5.9%	$ 102,378
6-30-07	10,316,110	12,216,821	1,900,711	84.4%	3,967,274	47.9%	369,394
6-30-08	11,097,452	12,256,446	1,158,994	90.5%	3,500,912	33.1%	182,204
6-30-09	11,274,825	12,189,427	914,602	92.5%	3,461,892	26.4%	138,484
6-30-10	11,932,952	11,616,520	(316,432)	102.7%	2,603,425	-12.2%	282,860
6-30-11	13,626,929	11,841,559	(1,785,370)	115.1%	2,434,170	-73.3%	129,144
6-30-12	13,321,425	12,683,486	(637,939)	105.0%	2,336,720	-27.3%	-
6-30-13	12,988,365	12,333,378	(654,987)	105.3%	1,717,415	-38.1%	-
6-30-14	12,583,529	12,913,507	329,978	97.4%	1,065,000	31.0%	-
6-30-15	12,936,164	14,062,830	1,126,666	92.0%	1,065,000	105.8%	-

Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage Contributed
6-30-13	10,239	-	0%
6-30-14	105,194	-	0%
6-30-15	-	-	0%

MONTGOMERY COLLEGE
SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFIT PLAN
JUNE 30, 2015

The following required supplementary information is provided in accordance with GASB No. 45. The Plan has an actuarial valuation performed each year and the schedule below presents information for the past seven plan years. Information will continue to accumulate until ten years of data becomes available. Please refer to Note 12 of the Notes to the Financial Statements for a more detailed description of Montgomery College's reporting of Other Postemployment Benefits (OPEB) for FY2015. The Plan has a net OPEB asset. The College is utilizing that asset as part of the funding plan.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6-30-07	$ 23,072,058	$ 62,263,511	$ 39,191,453	37.06%	$ 96,333,866	40.68%
6-30-08	25,459,619	52,188,571	26,728,952	48.78%	104,590,815	25.56%
6-30-09	20,632,100	61,627,035	40,994,935	33.48%	113,812,228	36.02%
6-30-10	21,960,175	69,046,415	47,086,240	31.80%	117,804,463	39.97%
6-30-11	24,463,628	75,206,285	50,742,657	32.53%	122,516,462	41.42%
6-30-12	24,712,358	84,564,758	59,852,400	29.22%	122,176,794	48.99%
6-30-13	30,559,057	90,930,002	60,370,945	33.61%	127,063,866	47.51%
6-30-14	39,204,705	70,142,660	30,937,955	55.89%	129,806,810	23.83%
6-30-15	42,802,968	79,988,358	37,185,390	53.51%	134,999,082	27.54%

This schedule represents years one through nine and will accumulate each year until ten years of data becomes available.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage Contributed
6-30-13	6,602,645	3,012,239	46%
6-30-14	6,955,454	3,808,282	55%
6-30-15	4,238,678	5,708,028	135%

MONTGOMERY COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Employees' Retirement and Pension System:

		2015
College's proportionation of the net pension liability		0.05837228785724800000%
College's proportionate share of the net pension liability	$	10,359,173
College's covered employee payroll	$	16,422,879
College's proportionate share of the net pension liability as a percentage of its covered employee payroll		67.66%
Plan fiduciary net position as a percentage of the total pension liability		73.65%

Teacher's Retirement and Pension System:

College's proportionation of the net pension liability		0.0%
College's proportionate share of the net pension liability	$	-
State's proportionate share of the net pension liability of the College		69,065,207
Total	$	69,065,207
College's covered employee payroll	$	63,045,184
College's proportionate share of the net pension liability as a percentage of its covered employee payroll		0.00%
Plan fiduciary net position as a percentage of the total pension liability		69.53%

Aetna Pension Plan

College's proportionation of the net pension liability		100.0%
College's proportionate share of the net pension (asset) liability	$	(1,213,552)
College's covered employee payroll	$	1,065,000
College's proportionate share of the net pension (asset) liability as a percentage of its covered employee payroll		-113.95%
Plan fiduciary net position as a percentage of the total pension (asset) liability		-1164.11%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

MONTGOMERY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015

Employees' Retirement and Pension System

	2015**	2014**	2013**
Contractually required contribution	$ 1,415,565	$ 1,360,285	$ 1,209,332
Contributions in relation to the contractually required contribution	(1,415,565)	(1,360,285)	(1,209,332)
Contibution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 16,422,879	$ 15,375,630	$ 13,915,335
Contributions as a percentage of covered-employee payroll	8.62%	8.85%	8.69%

Teachers Retirement and Pension System

	2015*	2014*	2013*
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contibution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 63,045,184	$ 59,003,580	$ 54,938,915
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

** The College is not contractually required to contribute to the Teachers' Retirement and Pension System.*

** Information prior to fiscal year 2013 was not available and the College will accumulate each year until ten years of data decomes available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

State of Maryland Retirement and Pension System

NOTE 1 - CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 - CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2014 valuation:

- Investment return assumption changed from 7.7% to 7.65%
- Inflation assumption changed from 2.95% to 2.90%
- Disability mortality assumption for State Police and LEOPS changed to:
  RP-2000 Disability Mortality: 505 table for males and 75% for females, but not less than RP-2000 Combined Health Mortality table projected to year 2025

NOTE 3 - METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.90% including inflation
Investment Rate of Return	7.65%
Retirement Age	Experienced based table of rates that are specific to the type of eligibility condition. Last updated for 2012 valuation pursuant to an experience study of the period 2006-2010
Mortality	RP-2000 Combined Health Mortality Table projected to the year 2025

Aetna Pension Plan

NOTE 1 - CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 - CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2014 valuation:

- The Mortality has changed from RP 2000 Combined Healthy Group Annuity Mortality Table with generational projection to the RP-2014 Mortality Table with Generational Improvements by Scale MP-2014.

NOTE 3 - METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	Gain/Losses over 5 years, assumptions over 10 years, and plan changes over 30 years
Asset Valuation Method	Fair Value
Inflation	2.50%
Salary Increases	8.50%, including cost of living increase
Investment Rate of Return	4.0%, net of pension plan investment expense, including inflation
Retirement Age	None
Mortality	RP-2014 Mortability Table with Generational Improvements by Scale MP-2014